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# China Report

ECONOMIC AFFAIRS

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5 July 1985

## CHINA REPORT

### ECONOMIC AFFAIRS

### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

#### PROVINCIAL AFFAIRS

Deng Xichen Reports on 1985 Economic Plan at Ningxia Congress (XINGXIA RIBAO, 3 May 85) .....	1
Li Xuezhi Addresses Ningxia People's Congress (Li Xuezhi; NINGXIA RIBAO, 9 May 85) .....	3
Tianjin's Nie Bichu's Report on Economic Plan (Nie Bichu; TIANJIN RIBAO, 13 May 85) .....	10
Tianjin's Li Ruihuan's Speech on Price Reform (Li Ruihuan; TIANJIN RIBAO, 10 May 85) .....	23
Text of Hubei Province Government Work Report (Huang Zhizhen; HUBEI RIBAO, 3 May 85) .....	40
Text of Shaanxi Government Work Report (SHAANXI RIBAO, 2 May 85) .....	65
Anhui Governor Speaks on Rural Enterprises (Wang Yuzhao; ANHUI RIBAO, 25 Apr 85) .....	87

#### AGGREGATE ECONOMIC DATA

Briefs	
Jilin Prefectural Production .....	107

#### ECONOMIC MANAGEMENT

Xue Muqiao's Contributions to China's Statistical Work (Wu Hui; TONGJI, No 1, 17 Jan 85) .....	108
---	-----

## FINANCE AND BANKING

- Country To Borrow \$164.3 Million From World Bank, IDA  
(CHINA DAILY, 15 Jun 85) ..... 115

## CONSTRUCTION

- Briefs  
Beijing Skyscraper ..... 117

## TRANSPORTATION

- Distribution of China's Railway Network Discussed  
(Xin Qin; TIEDAO ZHISHI, No 1, 28 Jan 85) ..... 118
- Urban Traffic Congestion Noted  
(Zhang Cailong; LIAOWANG ZHOUKAN, No 16, 22 Apr 85) ..... 123
- Datong-Qinhuangdao Railway Under Construction  
(Han Mei; TIEDAO ZHISHI, No 1, 28 Jan 85) ..... 124
- Heilongjiang: Li Lian Inspects Worksite of Songhua Jiang Bridge  
(Heilongjiang Provincial Service, 23 May 85) ..... 129

## HONG KONG MEDIA ON CHINA

- People's Bank of China To Improve Service at Shenshen Branch  
(Suzanne Sim; SOUTH CHINA MORNING POST, 19 Jun 85) ..... 130

PROVINCIAL AFFAIRS

DENG XICHEN REPORTS ON 1985 ECONOMIC PLAN AT NINGXIA CONGRESS

HK210849 Yinchuan XINGXIA RIBAO in Chinese 3 May 85 p 1

[Report: "Excerpts of Deng Xichen's Report on Draft of 1985 Regional Economic Plan at Third Session of Fifth Ningxia Regional People's Congress"]

[Text] Entrusted by the autonomous regional people's government, Deng Xichen, director of the Regional Planning Commission, made a "Report on the Draft of the 1985 Plan for National Economy and Social Development" at the Third Session of the Fifth Autonomous Regional People's Congress. According to the report, the major tasks proposed in the 1985 plan for national economy and social development are: to further implement the principle of enlivening the domestic economy and opening up to the outside world, to take an active part in steadily conducting reform of the economic structure, to continuously maintain the harmonious and steadfast development of the national economy in order to achieve a synchronous increase in rate, economic results and financial revenues, to further improve the people's living standards on the basis of production development, to fulfill in an all-round way and to overfulfill the tasks stipulated in the Sixth 5-Year Plan under the premise of raising economic results, and to prepare conditions for the economic development of the Seventh 5-Year Plan.

The major targets stipulated in the draft of the 1985 plan as proposed in the report of Deng Xichen are: the gross industrial output grows by 7.3 percent over 1984; the gross agricultural output value grows by 4.4 percent over 1984; and the target for the gross industrial and agricultural output value is 3.05 billion yuan, up by 6.2 percent from 1984. The total volume of investment in capital construction is 631.65 million yuan. The investment in technical transformation is 136 million yuan. Investment in culture, education and health is 26.52 million yuan, up 19.9 percent from 1984. The total volume of social commodity retail sales is 1.33 billion yuan, up 9.6 percent from 1984.

Referring to the reform of the planning system, the report mentioned that the scope of mandatory plans in the realms of production and circulation of the region would be appropriately reduced in 1985. All agricultural production will be conducted according to plans of a guiding nature. The categories of agricultural and sideline production under planned purchases of the region is reduced from 14 to 7. With regard to industrial production, the categories of industrial products included in the regional plan is reduced from the more

than 200 to 90. The categories of goods and materials under unified allocation are also reduced considerably. The power of examining and approving construction projects in prefectures, cities and counties and responsible offices and bureaus at regional level will be relaxed. While appropriately reducing the realm of mandatory plans and correspondingly extending the realm of plans of a guiding nature, it is necessary to strengthen the scientific nature and solemnity of mandatory plans. At the same time, it is necessary to lay stress on strengthening the control over plans of a guiding nature, and to guide and to urge their fulfillment through flexible application of such economic levers as prices, taxes and credit loans and the distribution of investment, foreign currencies and important goods and materials under the control of the autonomous region.

He emphasized that at present, special stress should be laid on strengthening the management of the macroeconomy, and guarding against the phenomenon of losing control in the course of replacing the old and new structures.

CSO: 4006/653

PROVINCIAL AFFAIRS

LI XUEZHI ADDRESSES NINGXIA PEOPLE'S CONGRESS

HK290735 Yinchuan NINGXIA RIBAO in Chinese 9 May 85 pp 1, 2

["Excerpts of Speech by Li Xuezhi at the Third Session of the Fifth Regional People's Congress (8 May 1985)"]

[Text] Comrades:

Through the common efforts of the participating comrades, the Third Session of the Fifth Autonomous Regional People's Congress and the Third Session of the Fourth Autonomous Regional CPPCC have fulfilled the various items on their agenda and will soon conclude. Over the last few days, the participants have seriously studied and discussed the spirit of the Third Session of the Sixth NPC and the Third Session of the Sixth National CPPCC in light of specific conditions and in keeping with the democratic style. They have aired their views freely, made suggestions, and discussed major problems concerning the region's socialist economic construction and economic structural reform. The congress is proceeding well. I would like to speak about the current main tasks.

I. The Problem of Economic Construction and Economic Structural Reform

Last year, our region made marked achievements in economic construction. The region's gross industrial output value, gross agricultural output value, gross grain output, and retail sales volume of social commodities hit an all-time high. The targets for the gross industrial and agricultural output value set in the Sixth 5-Year Plan were fulfilled 1 year early, and a new situation of sustained, stable and coordinated development arose in the national economy. The economic situation in the first quarter of this year was also very good, with fair development in various fields of production. In this excellent situation, we should keep a clear head and understand that there are still quite a number of problems in economic construction. Social economic results are not ideal; the source of revenue is largely from state subsidies whereas local financial capacity is very low; results of investment in capital construction were not as good as those in the previous year; the scale of capital construction is constantly expanding, aggravating the shortage of energy and raw and processed materials; the production structure and the mix of products are not sufficiently rational; the proportion of township enterprises in the national economy is not large enough; and some poor households still have difficulties

in their production and livelihood. Although these are problems in our advance, we must not lower our guard but must adopt effective measures to solve them.

We should stress that it is necessary to energetically improve social economic results. It is necessary to readjust the production structure and the mix of products so as to promote the specialization and socialization of production. It is necessary to bring forward technological progress, to reduce energy consumption, to reduce the cost of production, to improve the quality of products, and to select top quality products. It is necessary to do a good job in setting up large and medium-sized enterprises closely linked with the sustained effect of the region's economic development and in developing collective, individual and township enterprises. We should pay attention to and strengthen leadership over economic development in the southern mountainous areas and should implement the policy of "industry, agriculture and trade" and accurately select breakthrough points. Our region has a poor economic basis. We should proceed from this actual condition, adhere to the principle of seeking truth from facts and making steady progress, and keep a certain rate of economic development on condition that good economic results are insured.

This is the first year in which the Decision of the 3d Plenary Session of the 12th CPC Central Committee is to be implemented and the overall reform of the economic structure instituted. Doing a good job in reforms in various fields has an important bearing on consolidating and developing the excellent situation and promoting all reform work. In his "Government Work Report," Premier Zhao Ziyang pointed out: "The principle for guiding reforms should be this: Be resolute and careful in launching the first battle and strive to win it." Reform is a profound revolution and creative system engineering, in which there is no ready-made form to follow. We should boldly probe and create new things on the one hand and take steady steps on the other. We should take one step forward and look around before taking another. In carrying out major reforms affecting the overall situation, such as wage system reform and price system reform, we should resolutely follow the CPC Central Committee's unified plans and policy and strive to avoid making big mistakes. [HK290737] While inspecting Wuhan's reforms recently, Premier Zhao Ziyang pointed out that in carrying out urban reform, it is necessary to pay attention to streamlining administration, delegating power to the lower levels, opening the door wide, and enlivening enterprises. Enlivening enterprises is the point of departure in reform. For the sake of enlivening enterprises, it is necessary to separate government administration from enterprise management, and to put enterprises under urban management so that they can become economic bodies carrying out independent accounting, assuming sole responsibility for their own profits and losses, and carrying out operations on their own. Moreover, enterprises should do a job in carrying out reforms in their in-house departments and should combine the improvement of economic results with the economic responsibility system and fully tap their potentials. We should open the gate wide, develop crosswise economic relationships and quicken our steps in introducing advanced foreign technology and equipment, talented persons and capital as well as in establishing cooperation with the hinterland. In building projects and introducing foreign technology and equipment, it is necessary to proceed from Ningxia's actual conditions, to fully consider the bearing capacity of Ningxia's financial and material resources as well as the

conditions of its natural resources, and to bring into play its superiority. We should avoid rushing headlong into mass action and prevent duplicate construction. We should energetically bring into play the functions of cities, develop industry, commerce, transportation, the tertiary industry, science, technology and education, and turn our cities into open-type, multifunctional, socialized and modernized economic centers. In agriculture, it is necessary to further perfect the output-related responsibility system on a household basis, reform in a planned way the procurement system of agricultural products, readjust the internal structure of agriculture in line with the principle of "industry, agriculture and trade," and simultaneously develop crop planting, fish breeding and the processing industry. In the mountainous areas, it is necessary to carry out grass and tree planting for developing animal husbandry and, in particular, to attach importance to the intensive processing of animal husbandry products so as to form a connected sequence of processing agricultural and sideline products. On the basis of insuring a steady increase in grain production, areas along rivers should change the single-product economy and go in for a diversified economy for the purpose of bringing about overall development in agriculture, forestry, animal husbandry, fishery, industry, commerce, transportation, processing and service trade.

## II. The Problem of Party Rectification and Correcting New Unhealthy Trends

The first stage of our region's party rectification work has basically ended. In the first stage of party rectification, we resolutely implemented the decision of the CPC Central Committee on party rectification. The development of the first stage of party rectification was smooth and healthy. In particular, we made marked achievements in reaching unanimity of understanding, straightening out professional work guidelines, negating the "Cultural Revolution," eradicating factionalism and increasing party spirit. Most of the party rectification units in the first group of the second stage of party rectification are carrying out comparison and examination, and some of them have entered the phase of rectification and correction; the second group of party rectification units will start party rectification in May and June. The basic tasks of the second stage of party rectification are still to reach unanimity of understanding, to consolidate work style, to strengthen discipline, and to purify the organization. In line with Circular No 12 of the Central Commission for Guiding Party Rectification, this stage of party rectification is aimed at strengthening the sense of party spirit, correcting new unhealthy trends, and insuring the smooth carrying out of reforms. Wholeheartedly serving the people is the fundamental aim of the party and realizing communism is its final target. Every communist party member should always bear in mind the fundamental aim of the party, foster the lofty ideal of communism, correctly handle the relationships of interests between the party, the people and the individual, consciously observe party discipline, strengthen the sense of organization and discipline, and strive to become a model party member who has aspirations, morality, culture, and a sense of discipline. Party organizations at all levels should strengthen education in aspirations and discipline, carry out long-term struggle against feudal ideas, decadent capitalist ideas, and all evil tendencies, constantly improve the political quality of the vast number of party members, cadres, and the masses, and increase their ability to resist corrosive ideas. Now the criteria for judging the party spirit of a communist party member are

whether he stands in the forefront of reforms and promotes reforms or whether he creates difficulties and obstacles to reforms; whether he takes the lead in becoming well-off through labor so as to make the country strong and the people prosperous or whether he engages in dishonest practices, harms the fundamental interests of the party and the people, and seeks personal gain. Every party member should have a somber understanding of these problems and consciously strengthen their ideological remolding as well as their cultivation of party spirit.

[HK290739] Various localities and units are examining and correcting new unhealthy trends according to the instructions of the CPC Central Committee and the State Council and have achieved certain results. New unhealthy trends have been basically stopped, but we must not lower our guard. All units should adopt effective measures and continue to seriously examine and handle the new unhealthy trends which have recently emerged. New unhealthy trends are side issues emerging in the excellent situation. Compared with the achievements we have made in our work, they are just one finger out of ten, therefore we should not be afraid of them and should not lose our confidence in our work. New unhealthy practices are acts of power abuse and favorable working conditions for personal gain in disregard of the interests of the state and the people. They have not been brought about by reforms but have been the result of some people availing themselves of loopholes in reforms. In correcting new unhealthy practices, it is necessary to pay attention to making a clear distinction in applying the policy concerned and to differentiating between reforms and new unhealthy practices.

1. We are against party and government organs or party and government cadres running businesses and enterprises for personal gain or for the sake of small groups. But we should not regard party and government organs running service companies for job-awaiting youths and persons as an unhealthy practice.
2. We are against issuing bonuses under all sorts of pretexts. But we should not regard issuing bonuses or remuneration to those who have made great contributions, achieved high economic results, and fulfilled their contracts according to policies and regulations as an unhealthy practice.
3. We are against promoting persons without authorization. But we should not regard authorized promotions in line with the policy concerned and carrying out wage system reform experiments as unhealthy practices.
4. We are against issuing subsidies at will. But we should not regard issuing bonuses according to the regulations of the state and the autonomous region as an unhealthy practice.
5. We are against abusing public funds for the purpose of issuing bonuses in kind. But we should not regard issuing uniforms to certain units according to state regulations, issuing labor protection goods, and issuing prizes for the purpose of commending the advanced as unhealthy practices.
6. We are against corruption and bribery and obtaining ill-gotten wealth. But we should not regard as unhealthy the rational remuneration which

scientific and technological personnel earn from providing scientific and technological advices in their spare time or the rational remuneration teachers earn from giving lessons in their spare time.

7. We are against raising prices recklessly and seeking profits by illegal means. But we should not regard negotiated purchase and sales and floating prices permitted by state policies as unhealthy practices.

8. We are against eating and drinking extravagantly at public expense and taking or receiving bribes. But we should not regard normal courtesy contacts as unhealthy practices.

9. We are against reselling at a profit materials urgently needed by the state. But we should not regard regulating and supplying each other's needs in a normal way and dredging the channels of circulation as unhealthy practices.

10. We are against increasing the number of organs and staff without authorization and doing a rush job of promotion. But we should not regard promoting and appointing cadres according to the conditions for the "four transformations" of cadres and normal organizational procedures as an unhealthy practice.

In short, we should differentiate between some experimental reform measures and unhealthy practices, between shortcomings and mistakes arising due to a lack of experience and unhealthy practices, and between right and wrong so as to value and protect the initiative of the vast number of cadres and masses in reform.

[HK290741] III. The Problem of Bringing Into Full Play the Role of the People's Congress and the CPPCC

People's congresses at various levels and their standing committees are authoritative organs of democratic power of the people. They shoulder an important historical mission in the great cause of building a powerful socialist country with a high degree of civilization and a high degree of democracy. Over the past year, people's congress standing committees at various levels have called their sessions according to schedule, examined major problems, inspected and guided their work, actively carried out investigation and study, and worked out local rules and regulations, thus playing an important role in developing socialist democracy, perfecting the socialist legal system, and promoting our region's economic development.

In the new situation, people's congress standing committees should enable their work to follow and serve economic structural reform and the four modernizations. They should formulate and perfect economic laws and regulations by centering on enlivening the domestic economy, opening to the outside world, and increasing the vitality of enterprises, and strengthen economic supervisory work so that there are laws to abide by in economic work. A people's representative is a tie and bridge through which the party and the state make contacts with the masses. A people's representative should be

the spokesman of the people, collect and reflect the opinions and requests of the people, and participate in policy discussions according to the constitution. Governments, courts and procuratorates at various levels should consciously accept supervision by people's congresses and their standing committees, regularly report their work and implement the resolutions and decisions of people's congresses and their standing committees concerning work in various fields. Party committees at all levels should strengthen leadership over work concerning people's congresses, bring into full play the important role of people's congresses in building a high degree of socialist democracy and a high degree of socialist civilization, and support people's congress standing committees in exercising their functions and rights according to law. Matters of great importance which must be examined by a people's congress or a people's congress standing committee for decision as stipulated by the constitution and law must be submitted to those bodies for decision. The selection, appointment, or dismissal of cadres which must be decided by a people's congress or a people's congress standing committee must be submitted to those bodies for decision, and no public announcement must be made until legal procedures are formally completed. Party members should be models of observing discipline and law.

The CPPCC is a patriotic united front organization under the leadership of the CPC. It is also an important form through which socialist democracy is developed and mutual supervision is exercised under China's political system. In the past, our region's CPPCC seriously implemented the policy of long-term coexistence, mutual supervision, treating each other with sincerity, and sharing both good fortune and bad, brought forward the fine traditions of political consultations, democratic supervision, cooperation in work, expanding friendship and giving self-education, devoted its efforts to economic structural reform and Ningxia's economic take-off, did a great deal of good work, and made great achievements.

In a speech at the Third Session of the Sixth National CPPCC, Comrade Deng Yingchao said: "The CPPCC organization has assembled talented persons who possess scientific knowledge, a high standard, and rich experience. It is a reservoir of comprehensively talented persons." Our region has over 1,000 CPPCC members at various levels and more than 1,000 democratic party members. Most of these comrades have certain professional skills. With their extensive links with persons in various fields, they constitute a powerful social force in our political, economic and cultural life. In the new year, CPPCC committees at all levels should bring into full play their role in democratic supervision, help the party and the government with their work in various fields, provide advisory service, run study courses, provide skilled support to mountainous areas, and organize CPPCC members, specialists, and learned persons to engage in the study of special problems. They should earnestly propagate the concept of "one country, two systems" and the policy of peaceful reunification of the motherland and play an active part in promoting the great cause of reunifying the motherland.

[HK290743] IV. The Problem of Implementing Policies and Utilizing Talented Persons

Over the past years, our region has done a great deal of work and achieved marked results in implementing the policy on intellectuals, the policy concerning united front work, and the policy toward nationalities and their religions. However, there are still some problems to overcome. For example, the problem of respecting intellectuals and talented persons and bringing into play the role of intellectuals has not been thoroughly solved; property, materials and houses confiscated or occupied during the "Cultural Revolution" have not all been returned to the owners. Various localities and units should strengthen their leadership and seriously solve the problems left over in implementing policies. Implementing the party's various policies is a long-term task. Therefore, it is necessary to frequently carry out education in the party's policies, foster the sense of policy, eradicate "leftist" influence, always follow the party's policies, and examine and correct any problem violating policies and regulations. Our region is a minority nationalities region, in which we should pay particular attention to implementing the party's policy toward nationalities and their religions and should respect their habits, consolidate and strengthen the unity between various nationalities, and coordinate the ideas and actions of the people of various nationalities for the purpose of realizing the strategic target of quadrupling the output value and enabling "Ningxia to take off."

Whether Ningxia can take off depends on whether talented persons are utilized. Ningxia will have prospects provided we train professional persons who have great aspirations and enterprising spirit, possess modern scientific and cultural knowledge, and understand management and operation. Party and government organizations at various levels and mass organizations should foster this strategic concept, cultivate the sense of respecting knowledge and talented persons, put into effect the principle of the state, the collective, and the individual going forward simultaneously, and run schools in various forms and through various channels. In addition, they should actively create favorable conditions for changing our region's educational structure so as to bring about great development in our region's scientific and technological education.

Comrades, we are faced with arduous yet glorious tasks, and our region's future is bright. We must exert ourselves, make concerted efforts, work hard, be bold in carrying out our reforms, have an enterprising spirit, and make every endeavor to fulfill the tasks for this year, to realize the party's general tasks and the strategic target of enabling "Ningxia to take off," and to make the country strong and the people prosperous!

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PROVINCIAL AFFAIRS

TIANJIN'S NIE BICHU'S REPORT ON ECONOMIC PLAN

SK281140 Tianjin TIANJIN RIBAO in Chinese 13 May 85 p 2

["Excerpts" of the Report on the 1985 Economic and Social Development plan, by Nie Bichu, vice mayor of Tianjin Municipality and chairman of the Municipal Planning Commission, at the 3d Session of the 10th Tianjin People's Congress on 22 April 1985]

[Text] 1. The Implementation of the 1984 National Economic and Social Development Plan

In 1984, our municipal economic situation was as good as all other areas in China and a new situation emerged marked by sustained, steady and coordinated development in socialist modernization construction. Total industrial and agricultural output value reached 28.14 billion yuan, an increase of 11.6 percent, prefulfilling the 1985 municipal total industrial and agricultural output value target of 26,384,000,000 yuan set in the Sixth 5-Year Plan by more than 1 year. According to initial calculations, the total value of national production was 13.4 billion yuan, an increase of 8.6 percent. Financial revenue stood at 3,993,000,000 yuan, an increase of 2.9 percent, thus succeeding in increasing production and revenue. The main characteristics of 1984's economic development were summarized as follows:

1) Industrial production developed coordinatively and in an all-round manner. Total industrial output value in the municipality came to 25,149,000,000 yuan, an increase of 9.7 percent. The growth of both light and heavy industries was fairly coordinated. Products badly needed in markets increased by a large margin. The development of technology-intensive-type industries was accelerated. Collective industries developed rapidly and new progress was made in improving product quality and increasing the varieties of products. Communications and transportation businesses developed to a further extent and the ocean and inland water freight volume increased by a fairly large margin. Improvements were made in some economic and technical targets. Industrial productivity increased 10.1 percent over last year. The number of money-losing enterprises decreased and the amount of deficits dropped by 67 percent. The overall energy consumption per 10,000 yuan worth of industrial goods declined by 3.9 percent from last year.

2) Agriculture saw an overall bumper harvest. The total agricultural output value reached 2.99 billion yuan, an increase of 30.7 percent over the previous

year. The production of six products, including cotton, oil-bearing seeds, eggs, milk and vegetables, hit an all-time record. The gross grain output stood at 2.63 billion jin, an increase of 20 percent, and per unit area yield increased 23 percent. The production of other nonstaple foods, such as meat, poultry, fruits and aquatic products, was better than last year. A vigorous situation emerged in the rural commodity economy. The number of workers engaged in township- and village-run enterprises came to 540,000, accounting for 31.2 percent of the total rural labor force.

3) The construction of key projects accelerated. Capital construction investment in the municipal state-owned enterprises reached 2.2 billion yuan, and total investment in the municipality's technical transformation came to 1.24 billion yuan.

4) A new situation was achieved in opening to the outside world. The number of contracts signed within the year on using foreign capital reached 78, involving \$165 million which was 1.8 times the total sum of the previous 5 years. Of this, 51 contracts were on joint ventures and cooperative management enterprises. About 281 contracts on technical imports were signed in the year, involving \$270 billion, an increase of 47.8 percent over last year. The procurement of products for export was valued at 2,453,000,000 yuan, exceeding the annual plan by 6.2 percent. The total value of exports reached \$1,234,000,000, exceeding the annual plan by 17 percent. Through overall planning, the progress in the construction of basic facilities in the municipal economic and technical development zone was very rapid. By the end of the year, 38 contracts on joint ventures and exclusive investment in enterprises had been signed with foreign firms. Last year, the central authorities decided to implement the administrative system of "dual leadership with emphasis on local administration." Economic results were raised and the number of vessels docked in the harbor declined. Marked changes were made in the outlook of Tianjin Harbor. The port loading and unloading volume reached 16,108,000 tons, an increase of 7 percent over last year, an all-time high.

[SK281141] 5) We extensively developed lateral economic association inside the country. In 1984, the municipality established relatively stable cooperative relationships in the economy and technology with more than 20 provinces, cities and autonomous regions and decided through consultation to set up 1,211 items of economic, technical and personnel coordination, a more than 100 percent increase over the figure accumulated over the past 3 years. Over the past year, the municipality turned out goods in extremely short supply under these coordination programs worth 380 million yuan, a 120 percent increase over the 1983 figure.

6) A new change in urban appearance took place, markets enjoyed brisk sales, and the people's livelihood was obviously improved. In 1984, the Municipal People's Government totally fulfilled the plan on doing 20 good deeds in improving the people's livelihood in both urban and rural areas. The municipality built 3.23 million square meters of housing and completed the first water pipeline in the project of "diverting Luanhe River water to Tanggu District." The municipality extended the subway to the west railway station and the roads of Hongqi and Anshan, and completed building the No 1 gas plant and the sewage treatment plant. All of this has upgraded the function of

urban areas. The municipality completely formulated the plan for building rural towns and villages, built 255 kilometers of rural highways and more than 3,200 pits of marsh gas, and upgraded the rate of rural households that had tapwater to more than 50 percent. The income of staff members, workers and peasants was increasing steadily. The total wage volume of staff members and workers throughout the municipality scored a 26.6 percent increase over the 1983 figure. The per capita income of urban households of staff members and workers reached 671.2 yuan, a 21.4 percent increase over the 1983 figure and a 19.3 percent increase without factoring in inflation. The per capita net income of peasants reached 505 yuan, a 22.6 percent increase over the 1983 figure. The municipality realized 5,662,000,000 yuan in retail sales of social commodities, a 17.5 percent increase over the 1983 figure.

7) The undertakings of science and technology, education, culture, public health and physical culture and sports achieved further development. The municipality achieved the 995 items of qualified scientific research results, of which, 7 were commended by the state in honor of their inventive nature. Of 109 agreements signed by military-industrial enterprises with regard to shifting their production to civilian commodities, 81 were successfully implemented and 12 of them reached the world advanced level. The educational undertaking accelerated the pace of conducting readjustment. In higher education, the municipality enforced the principle of operating schools at various levels, and of various specifications and types, and continuously increased its student enrollment quota. The secondary education structure was somewhat improved. Secondary specialized schools had 20,700 students, a 29.4 percent increase over the 1983 figure. Vocational and agricultural middle schools also scored an increase in the number of students. The municipality achieved new development in infant education. To improve the conditions of rural middle and primary schools, the municipality scored marked achievements in building or repairing 430,000 square meters of school houses by appropriating government funds or encouraging suburbs and counties to raise funds. The undertaking of public health achieved steady development and the conditions of medical care were somewhat improved. The hospitals throughout the municipality had 23,900 patient beds, a 1,200-bed increase over the 1983 figure. The municipality also set up 13,000 patient beds among resident households. The municipality also reduced its birth rate from 17.2 per thousand in 1983 to 15.7 per thousand in 1981 and increased its family planning rate to 98 percent.

All facts mentioned above have shown that our municipality's excellent situation in the economy encourages us very much, which was not only excellent in 1984, but also excellent over the past few years. These achievements have proven that every front has earnestly implemented the principle set forth by the central authorities with regard to readjustment, restructure, consolidation, improvement and the policy of opening the door to outside places in order to enliven the domestic economy; and that the people throughout the municipality have united as one in waging struggle under the leadership of the municipal CPC committee. The municipal change of economic construction has enabled the city to shift its close-up commodity economy to an open and planned one. Therefore, we should promote the steady and harmonious development of economic construction on the premise of increasing economic returns.

[SK281142] We should sober-mindedly note that our municipality still has many problems in its economic development under an excellent situation.

- 1) Our municipality still has a fairly great number of products unsuitable for the changes in the needs of both the domestic and foreign markets;
- 2) Our economic results are better but not ideal. The capability of enterprises to deal with the influence and factors of price rises in some raw materials and transport fees is not strong enough;
- 3) Though the foreign trade and export plans were overfulfilled, the export figure showed a decline from 1983;
- 4) The supply of raw materials and energy, as well as communications and transport services are still very strained; and
- 5) The growth of consumption funds is too rapid and the circulation of currency is too large. Problems cropped up in December. In late December, the circulation of currency increased as a result of shock issuance of bonuses in many units, making the increase in the annual bonuses exceed the increase in industrial and agricultural production, national income and labor productivity. Most of the bonuses issued last year were reasonable, but some enterprises failed to set aside the bonus tax and some even appropriated production funds for bonuses. Such a practice was unreasonable. After the cropping up of these problems, the municipal government adopted measures to stop it. On 28 December, it instructed the Tianjin branch of the People's Bank to freeze the bonus payment. Before the Spring Festival, the municipal CPC committee and government held an emergency mobilization meeting and formulated 10 stipulations to check new malpractices. Under the support of the broad masses of people, such an evil trend was checked. We should conscientiously draw a lesson from this.

## 2. Opinions on the Arrangement of the Draft Plan for the 1985 National Economic and Social Development

The year 1985 is the first year for implementing the decision of the 3d Plenary Session of the 12th CPC Central Committee, for comprehensively fulfilling the Sixth 5-Year Plan, and for preparing for economic development during the Seventh 5-Year Plan period. As far as our municipality is concerned, it is also a year with a good situation, heavy tasks and many new things, great difficulties and high demands. We should continue to implement the principle of restructuring, opening to the outside world, and invigorating the economy, further emancipate thinking, be brave in blazing new trails, seek truth from facts, and create a new situation in our municipal economic construction in a down-to-earth manner and in line with the plans of the central authorities and the State Council. The main tasks of our 1985 municipal economic and social development plan are: Further invigorate the economy, expand the scope of opening to the outside world; speed up technological transformation; develop tertiary industry; improve the livelihood of the people along with the growth of production; and promote a sustained, steady and coordinated development in the national economy on the heels of a great increase in economic results.

The main targets of the 1985 draft plan are: The total industrial and agricultural output value should reach 29,858,000,000 yuan, an increase of 6.1 percent over 1984. Of this, the total industrial output value should be 26,658,000,000 yuan, an increase of 6 percent, and the total agricultural output value should be 3.2 billion yuan, an increase of 7 percent.

Financial revenue should reach 4,124,000,000 yuan, an increase of 3.66 percent over 1984 if calculated in terms of comparable items.

The municipality's total investment in fixed assets should reach 3,566,000,000 yuan, an increase of 12.8 percent over 1984. Of this, investment in capital construction should be 2.33 billion yuan, and that in technical transformation, 1,236,000,000 yuan.

The total value of exports should reach \$1,035,000,000.

The total retail sales of commodities in society should be valued at 6,417,000,000 yuan, an increase of 13.3 percent over 1984.

Institutions of higher learning should enroll 13,400 students, an increase of 4.3 percent over 1984, and secondary specialized schools should enroll 10,000 students, an increase of 2.9 percent.

By the end of 1985, the number of hospital beds should reach 25,100, an increase of 5.1 percent over 1984. The natural population growth should be controlled within 5 per thousand.

[SK281143] The concrete tasks set forth by the 1985 draft plan for major trades are as follows:

1) Readjust the structure, increase results and maintain the steady and harmonious development of production.

In industry, efforts should be made to further meet the demands of foreign and domestic markets by following the road of winning over buyers with fine quality, seeking development by increasing product variety, and exerting efforts to increase economic results; and to pay great attention to maintaining steady development. To this end, we should concentrate on fulfilling the following three tasks:

a. Efforts should be made to accelerate the pace of readjusting industrial and product structures. It is necessary to integrate technical introduction and renovation with enterprise readjustment and reorganization; to vigorously develop fine-quality products, famous trademarks, and new style; to curtail the output of products in excess supply; and to eliminate the production of a number of outmoded products. Concentrated efforts should be made to push forward the production of commodities urgently needed by markets, in short supply, and suitable for export. We should adopt advanced technology to reform out-of-date enterprises, to accelerate the pace of replacing and renewing products, and to establish coordinated production systems among the specialized production of motor vehicles, cha che [0643 6508], refrigerators and

motorcycles. Efforts should be made to develop the new electron and optical fiber industry in a planned and step by step manner.

b. Efforts should be made to strengthen management and upgrade enterprise quality. We should further enliven enterprises and enable more of them to change their type from pure production to active development. Efforts should be made to vigorously curtail the consumption of concrete materials and to plan to urge enterprises to score a 1.5 percent decrease in major raw materials and a 3 percent decrease in output value per 10,000 yuan. The municipality plans to save 280,000 tons of coal, and 120 million kWh of electricity, and to score a 3.5 percent increase in all industrial laborers' productivity over the 1984 figure.

c. A good job should be done in organizing urban industrial enterprises for the transfer of their production technology. Urban enterprises should transfer in a planned and organized manner their technology in old products and a number of parts to township- and town-run industrial enterprises in order to enable themselves to develop new products. Township- and town-run industrial enterprises themselves should also serve the urban major industrial enterprises in line with market demand and by bringing into play their strong points, and serve the plans for export and development of the rural commodity economy.

In agriculture, efforts should be made to uphold the principle of serving the urban area and making the people wealthy, to earnestly implement the 10 policies issued by the CPC Central Committee and the State Council with regard to further enlivening the rural economy, and to readjust the structure of the rural economy in order to accelerate the development of the rural commodity economy.

In readjusting the agricultural economy, first we should vigorously develop the production of animal husbandry and fishery in order to provide more and better nonstaple foodstuffs for the people. In 1985, while achieving stable development in raising chickens, we should actively develop the undertaking of raising hogs with the work emphasis of enlarging production of meat hogs in order to have 800,000 hogs for slaughter this year. The output of fresh eggs will reach 160 million jin; milk, 81 million jin; and aquatic products, 45,000 tons, of which, fresh water products will reach 15,000 tons. The municipality will develop 30,000 new mu of fresh and sea water areas for breeding aquatic products. Second, we should do a good job in readjusting planting and breeding undertakings in line with market demand. We will not slacken our efforts in grain production and will vigorously upgrade per-unit-yield on the basis of insuring the self-support of peasants in suburban districts and counties. In line with state demand, we will vigorously curtail the production of cotton and enforce the contract systems in purchase. In conducting readjustment, efforts should be made to prevent the waste of farmland and to vigorously develop the production of various cash crops, such as minor grains, fine oil-bearing seeds, fruit trees and flowers. According to policy, we should encourage peasants to reclaim waste mountains and land, river banks and water areas.

The funds for developing the rural economy should mainly be raised by peasants themselves. The funds appropriated by the state for agriculture should be used in a combination and overall manner and satisfactorily in order to do several good deeds for the people each year.

2) Make overall arrangements and give priority to major tasks in order to make progress in construction.

The 1985 total funds for capital construction and technical renovations total 3,573,000,000 yuan, a 12.8 percent increase over the 1984 figure. Of the 2.37 billion yuan invested in capital construction, 923 million yuan is appropriated by the central ministries and 141.4 million yuan is invested by the local units. The contradiction between necessity and possibility in investment in capital construction is relatively great. Therefore, efforts should be made to make overall arrangements and to give priority to major projects. In 1985, the municipality has arranged 123 projects of capital construction and technical renovations. Of these projects, 2 of them are covered by the state plan and 121 key projects are covered by the municipal plans. Except for grasping well the construction projects this year, a good job should also be done in making the first-state preparations for the construction projects set forth in the Seventh 5-Year Plan. Efforts should be made to enforce the system of having a manager in charge of building every project in order to make a success of the 1985 work and to create favorable conditions for the fulfillment of the construction plans set forth by the Seventh 5-Year Plan.

[SK281144] 3. Further develop science, education and public health undertakings.

We should conscientiously implement the decision of the central authorities on reforming the scientific and technological system, and speed up the development of science and technology in line with the principle of relying on science and technology while carrying out economic construction, and tailoring scientific and technological work to the needs of economic construction. We should pay for the utilization of scientific and technological findings, readjust the structure of scientific and technical ranks, and encourage the rational exchange of personnel. We should exert efforts to promote the utilization of computers, microelectronic technology, optical fiber communications, spraying and coating techniques, solar energy and other new technologies.

We should accelerate educational reform in order to produce more competent personnel in a short time. On the premise of improving quality, higher educational institutes should increase the number of students in short-term and specialized courses, and expand the enrollment in the economics, engineering, foreign trade, medical, teacher-training, foreign language and law departments, and other badly needed departments. Strenuous efforts should be made to develop vocational middle schools. Secondary specialized schools should tap their potential to expand enrollment, some vocational middle schools with favorable conditions should be changed into vocational or secondary specialized schools in a planned manner.

In order to support educational development, this year the municipal educational funds budgeted by the municipal treasury will be 15.9 percent greater than in 1984. Of the municipality's 155 million yuan of investment in capital construction this year, 60.9 million yuan will come to the development of intellectual resources, accounting for 40 percent of the total investment, an increase of 79.6 percent over last year's plan.

In public health, we should further the disease-prevention system, raise medical quality, improve medical workstyle, and run public health undertakings through various forms and channels. Continued efforts should be made to develop and improve family-based sick beds. While fully tapping the potential of existing facilities of public health organs, we should improve and expand the construction of hospitals, and disease-prevention organs. Under the plan, the number of hospital beds should increase by 3,000.

Further progress should be made in cultural, sports, broadcast and publication undertakings.

In order to improve the housing conditions of staff and workers in cultural, educational and health units, under the plan a total residential area of 223,000 square meters will be built for them (including those carried over from last year), an increase of 64.3 percent over last year's annual plan of 135,700 square meters (excluding those for institutions and schools under the direct control of the central authorities and those under the control of various departments).

#### 4) Actively develop tertiary industry.

This year, we will exert efforts to develop commercial, catering and service businesses. First of all, we should adopt more flexible policies and encourage all people and all quarters to run such trades. We should formulate development plans and give preferential treatment in terms of taxes, credit and prices. Second, we should vitalize circulation, and establish and improve various trading and material exchange centers through reform. We should fully display the role of existing networks, expand the service scope and improve the service quality and increase a number of new networks. Third, we should encourage industrial departments to use their surplus strength and conditions to develop tertiary industry. Peasants are welcomed to develop tertiary industry in cities, districts bordering cities and county seats. Information, consulting, accounting, law, banking, insurance, trust and tourist undertakings should be vigorously developed.

#### 5) Properly arrange for markets and increase the withdrawal of currency.

Along with the fulfillment of the plans, industrial enterprises should try all possible means to increase the amount of those products badly needed in markets and the supply of industrial products for self-consumption should be increased in the municipality. Commercial units should vigorously organize the domestic source of goods, reduce the number of stockpiled goods, expand purchase and sale, and strive to import a number of products for market. Agricultural units should continue to expand the supply of nonstaple food,

establish more markets for the sale of farm and sideline products as well as fresh and live commodities, and increase the market supply of live fish and chickens. We should strive to basically stabilize the overall level of prices, insure that the people will be more satisfied with ample market supplies and a brisk market situation, and strive to increase the withdrawal of currency.

[SK291145] 6) Strive to broaden the sources of income and reduce expenditure, and insure an ample supply of materials and energy.

This year, the state will only guarantee the allocation of materials for units implementing the mandatory plan. The state allocation of materials for units implementing the guidance plan will be the same as the 1984 base figure, and some units will receive materials even below this figure. The supply of a fairly large amount of products will be arranged by the localities or enterprises through market regulation. The supply of energy will also be strained in order to solve contradictions between the supply and demand of raw materials and coal. This year, the municipality plans to make enterprises exceed production through economic methods; to expand cooperation with foreign countries with the municipality's brand-name products and technology; to import badly needed raw materials with our own foreign currency; and to establish long-term supply bases by operating joint ventures and cooperative enterprises. In these ways, we may insure the supply of a small part of raw materials and coal, and the remaining part should be regulated through markets or by various units and enterprises. The various departments should enhance their ability to insure supplies, exert strenuous efforts to save funds and oppose waste, strive to lower consumption, and increase production by economizing.

All trades and professions should strive to increase production and income, adhere to the principle of building the country through hard work, economize on expenditures, insure the fulfillment or overfulfillment of this year's financial task, contribute more to the state, and accumulate more funds for the development of the municipality.

### 3. The Major Points of the 1985 Economic Work

In order to fulfill the 1985 plan and to consolidate and develop the excellent economic situation, we should focus our economic work on raising economic results and firmly grasp the three major points of reform, opening to the outside world and technical transformation. We should arrange our work in line with these three major points.

#### 1) On reform.

In his government work report, Mayor Li Ruihuan has touched on the major points of our 1985 municipal economic structural reform. I will report, in particular, the reform of the planning system.

The central task of the reform of the planning system is to break with the traditional ideas of setting the planned economy against the commodity economy, to consciously follow and apply the law of value in planned

management, and to establish a unified and flexible planning system. In accordance with the guidelines of the State Planning Commission's "Provisional Regulations on Improving the Planning System" being approved by the State Council, this year the main points of our municipal reform of the planning system are:

a. We should properly narrow the scope of implementing the mandatory plan in the production, construction and circulation spheres, and expand the scope of implementing guidance plans and market regulations. The proportion of industrial products produced by units implementing the mandatory plan should drop from 70 percent of total industrial output value to 30 percent. The proportion of industrial products turned out by units implementing the guidance plans should account for 30 percent of the total industrial output value and the remaining 40 percent should be handled through market regulation. In agricultural production, we should implement the guidance plans in an all-round manner. The purchase of grain and cotton should be based on contracts and the above-quota part may be purchased in markets. The purchase of fresh and live commodities should be more flexible in line with conditions. In commercial plans, mandatory plans will be implemented only in units producing some key commodities necessary for the livelihood of the people. Contracts on the production of other products should be signed between the producers and the marketing units. In the investment in fixed assets, all state investment should be subjected to the mandatory plan. The investment raised by enterprises and establishment should be subject to the guidance plan.

b. We should improve the management of investment in fixed assets, properly decentralize power to the lower levels within the limit of the controlled general scope, and implement the principle of concentrating funds onset projects and opening to the outside world. Large and medium-sized projects, projects financed by the municipality, and projects which need funds and conditions provided by the municipality should be examined and approved by the municipal authorities. Small projects and projects whose funds, foreign currency, energy water resources and some major raw materials can be arranged by the construction units themselves and will not be examined and approved by the municipal authorities. The utilization of investment in fixed assets will be paid for and investment in capital construction will be changed from appropriation to loans with differential interest rates.

[SK291146] c. In distributing materials, those that are distributed under the state and municipal plan should still be distributed properly by the Municipal Planning Commission. Other materials can be given to various bureaus for distribution or can be put into the activities of regulating markets. The state material supply departments should engage in the activities of regulation markets in order to balance commodity prices. Meanwhile, efforts should be made to enhance market management to prevent illegal purchase and sales.

d. Efforts should be made to gradually give many rights to higher educational institutions in making job arrangements for their graduates. In 1985, the municipality will conduct pilot work at a number of higher educational institutions on making job arrangements for their graduates by conducting

consultations with recruiting units while following the municipal unified assignments. On the premise of fulfilling the state plan of student enrollment, the higher educational institutions and the secondary specialized schools will be able to accept the entrustment of opening training classes with the approval of the responsible departments and to jointly operate schools.

e. Efforts should be made to enhance the collecting and spreading of economic information and a good job should be done in conducting the estimate of economic trends and building information centers and an economic information network in the municipality so as to render advisory service on the economy.

f. With the cooperation of the departments concerned, the Planning Commission should successfully utilize in a comprehensive way the regulating function of prices, tax revenues, credit, wages and financial affairs, and should study well the comprehensive utilization and coordination of the economic lever in order to strengthen control and guidance of the macroeconomy.

g. Efforts should be made to strengthen the study of formulating the strategy of economic development and to successfully achieve a comprehensive balance in the macroeconomy. It is necessary to establish the system of drawing up GNP targets and of statistics in order to regard the GNP as a yardstick in measuring the development of the municipal economy.

While conducting reforms among the various aspects mentioned above, we should also enforce the responsibility systems in setting up various plans.

Another major and important task concerning the systematic reforms of the urban economy is to develop lateral association in the economy. According to the demand of the commodity economy, the association between urban and rural areas and among different districts has to be established in order to gradually set up an open system. Tianjin, an economic central city, should allow or encourage outside commodities to flow into its markets, outside enterprises and peasants to open businesses in the city, and its industrial and commercial enterprises to set up economic associations or technical coordination with other trades and in outside places in developing energy resources and electric production and building or repairing highways and raw material bases. In 1985, the municipality plans to organize enterprises of petrochemical equipment, cement equipment and construction machines to set up technical coordination and association with outside provinces and cities.

Tianjin, an open coastal city, should integrate the policy of opening to the outside world with that of setting up economic association with domestic areas in order to enable the open-door policy to promote inner economic association and vice versa.

## 2) On the open-door policy.

In enforcing the open-door policy this year, we should further emancipate our minds, overcome the "leftist" influence and the close-up and self-supporting ideas of the natural economy, have our feet firmly planted in the city, and

keep in view the country and world as a whole. We should actively integrate municipal economic development with economic and technical exchanges with outside places so as to push forward the open-door policy to a new level and to take a bigger stride in this regard.

Efforts should be made to score an increase in exports and to earn more foreign exchanges so as to be sure in fulfilling the municipal export plan set forth by the state with regard to realizing \$1.035 billion in export value. Productive departments should correctly appraise the demands of international markets so that they will be able to vigorously upgrade their product quality, to lower their costs, and to create a number of high-standard export products. Foreign trade departments should vigorously enliven management, consolidate old markets, open new markets, and should expand the activities of "introducing outside capital, technology, and experts and conducting compensatory trade" by integrating industry with trade, technology with trade and import with export in an effort to develop international sales networks. Both industrial and trade units should make concerted efforts in business and adopt the policy of encouraging export and conducting export purchase. All enterprises and foreign trade companies that have fulfilled or overfulfilled their export plans and made marked contributions to creating famous trademarks and developing export products should be commended.

[SK300603] We should achieve new development in utilizing outside capital. We should build joint-venture enterprises that have been established under contracts signed by both foreign and Chinese organizations in 1984 and put them into production as soon as possible. Joint-venture enterprises already in production should sum up their experience, strengthen their management, and should upgrade their economic results. These joint-venture enterprises should also pay attention to developing technical intensive operation and integrating their production with the task of expanding export in order to steadily increase the municipality's ability in earning foreign exchanges. Those that engage in nonindustrial production should do a good job in studying the feasibility of production and pay attention to maintaining a balance of foreign exchanges.

We should make a new breakthrough in technical imports. We should first build plants for setting up the equipment imported under the contracts and put the equipment into production as soon as possible in order to achieve economic results. The emphasis of future import programs should be put on the backbone items that have great significance to the economic development of the municipality, particularly on export items that can earn foreign exchanges.

In building the economic development zone, we should make a good start, achieve high efficiency, complete the building of basically necessary facilities to the zone as soon as possible, and should fulfill the plan of "qi tong yi ping" [0003 6639 0001 1627] in order to build the zone into an attractive and good environment for investment. In 1985, we should strive to put several projects into formal production.

In both introducing technology and utilizing outside capital, we must put our work emphasis on the purpose of entering the international markets and earning more foreign exchanges for the state in order to gradually maintain a balance in foreign exchanges and to have a surplus and to achieve the virtuous circulation of foreign exchanges.

### 3) On technical renovations.

To earnestly and successfully conduct technical renovations among existing enterprises is a strategic measure for making Tianjin prosperous and is an important task for the municipality to conduct the economic work this year. We should strengthen the leadership over the work and do a good job in grasping the work.

In 1985, the municipality has mapped out 48 central projects of industrial technical renovations, including (the 11 projects of renovation and expansion in capital construction). We must concentrate our efforts on the work and be sure to complete the projects in line with the plan.

To successfully conduct the work of technical renovations, we should pay attention to the following several issues:

First, we should conduct technical renovations in a planned and step-by-step manner. All industries and trades should map out their developing plans in line with the Seventh 5-Year Plan and fix their strategic target and fighting direction in technical renovations in order to prevent indiscretion. In 1985, the municipality will vigorously fulfill the central plan for developing the 28 major category production, including the 82 key industrial products and the plans for developing newly-developed industries. The municipality will define an overall arrangement for technical renovations in line with the plans formulated by every trade.

Second, we should integrate technical renovations with the programs of introducing outside technology and overcoming knotty technical difficulties. We should seize the opportunity to boldly import advanced technology and key equipment which the country does not have. As to those that have been imported, we should organize all forces to study ways of using them and publicize them so as to create something new. Meanwhile, much attention should be paid to applying the scientific research results scored in the country to production and setting up coordinating systems among the military industrial enterprises, the higher educational institutions, and the scientific research units in order to overcome technical knotty difficulties.

Third, we should integrate technical renovations with economic readjustment, industrial reorganization and with the improvement of urban function.

The year 1985 is the last year in implementing the Sixth 5-Year Plan. While vigorously fulfilling the 1985 plan, we should also organize all forces to map out the municipal plan for the Seventh 5-Year Plan.

CSO: 4006/653

TIANJIN'S LI RUIHUAN'S SPEECH ON PRICE REFORM

SK270900 Tianjin TIANJIN RIBAO in Chinese 10 May 85 pp 1, 3

["Excerpts" of speech of Li Ruihuan, deputy secretary of the municipal CPC committee and mayor of the municipality, entitled "Strengthen Party Spirit, Rigorously Enforce Discipline, and Be Sure To Win the First Battle in Reforms" delivered at the municipal conference of party member leading cadres on 9 May]

[Text] Today we held a municipal conference of party-member leading cadres to make a plan for the price reform.

In accordance with the spirit of the discussions of the municipal CPC committee and the Municipal People's Government, I will make some suggestions on the following three issues:

1. The price reform is a key link of the comprehensive reform of the economic structure.

1) The price system must be reformed.

Over the past years, we have spent a lot of energy on the price issue and tried to find many solutions. The reason for doing so is that the reform of the price system is a key link in the comprehensive reform of the economic structure. Whether we have done a good job in conducting reforms in the price system has a bearing not only on the current drive of conducting reforms and the immediate interest of the individuals, but also on the development of the national economy as a whole and the entire situation of stability and unity. This is not only a matter of the economy, but also of politics. However, the reform of the price system is independent of our subjective desire and is strictly restricted by the objective law of the economy. Along with deeply conducting reforms among economic systems, we have arrived at the situation in which the price system must be reformed.

First, the current price system itself is unreasonable. The prices of a large number of commodities do not reflect their value and the relationship between demand and supply. Their prominent indicators are that a price differential for varying quality among the same commodities has not been made and that the price parities among different commodities are unreasonable. In particular, the prices of mining products, raw materials and energy resources are on the

low side, but just such products are in short supply for developing the national economy. On the contrary, the prices of general processing industrial products are on the high side. The difference between the purchase and sale prices of farm and sideline products is turned upside down. Over the past few years, the purchase price of farm and sideline products has been raised, but the sale price for them has not been increased accordingly. The state purchase prices of a number of major farm and sideline products are higher than that of sales. This has caused an increase in state subsidies and a financial burden after an agricultural bumper harvest.

Second, the unreasonable price system is unfavorable for developing the commodity economy in a planned manner. Prices are a powerful lever of the commodity economy which play a very big role in promoting the commodity economy. Where the price of products is lower than their value and enterprises earn less profits or suffer losses, there will be no funds for technical renovations. Where the price of products is higher than their value and enterprises earn excess profits, there will be no units eager to seek technical progress. If products of fine or poor quality are sold at the same price, the fine quality product will be in short supply and the poor quality one will be overstocked. All of this will adversely affect the upgrading of product quality.

Third, the unreasonable price system is unfavorable for implementing the principle of distribution according to work. The fact that prices do not reflect the value of products will cause the enterprises that turn out high-profit products to earn more profits despite their poor management. Their staff members and workers will obtain a larger bonus without much labor. Those that turn out low-profit products often gain less profits despite better management and market demand. Their staff members and workers will obtain a smaller bonus despite much labor.

Fourth, failure to conduct reforms in the price system will cause difficulties for the progress of reforms in other fields. Prices always run through the fields of production, commodity circulation, distribution and consumption. The reform of the price system is closely related to the reform in various economic systems, enforcing the open-door policy in order to enliven the domestic economy, straightening out the relationship among various economic factors, and bringing into play the urban function. Only by grasping the "key link" of conducting reform in the price system can we be sure to bring about successful development to the reform in other fields.

Fifth, commodity prices attract the most concern of the people. The issue concerning prices is closely related to the personal interest of the vast number of the people and directly affects social stability and the masses' feeling. The thought and action of all individuals, households and units always reflect the change of commodity prices which also directly affect the other fields of social life. Therefore, the people are worrying about price hikes; thus, they are asking for reforms of the unreasonable price system, which arouses an important momentum for the price reform.

All of this has shown that the reform of the price system is a matter of importance and is imperative under the circumstances.

[SK270901] 2) The plan for the current reform of the price system is realistically feasible.

In line with the spirit of the central authorities and the arrangement made by the State Council, our program for price reform in 1985 comprises the following two tasks: Readjust the purchase and sale prices of grains and oil-bearing seeds in rural areas; relax the control of fixing the prices of hogs, vegetables and other nonstaple foodstuffs. The 1985 plan for the price reform is based on the principle set forth by the central authorities with regard to integrating the relaxation of control in price standards with the readjustment of commodity prices and taking a small step in making an advance. The plan is adopted on the richer foundation of goods and materials, is aimed at conducting structural readjustment among prices, and is aimed at increasing some prices while reducing others in order to enable the price parities among various commodities to gradually become reasonable. This is different from the overall price hike caused by inflation. It is imperative for us to understand it well.

Our starting point in the price reform this year lies in encouraging the enthusiasm of producers and further enriching goods and materials. For example, we relax the control of fixing hog price's in order to enable the price parties between hogs and grain to become reasonable. Under such a circumstance, peasants will raise more hogs and sell more so that the urban people can be insured a sufficient pork supply. The production and sale price of vegetables, eggs, poultry and fish should also be relaxed in control in this way. In a certain period after relaxing the control of price standards, some prices are very likely to increase, but the lever role of prices would have been fully played, which will promote the development of production, and the increase of commodities, and then, the price will naturally decline due to the increase of commodities. This has been proved by practice in some localities that have first relaxed the control of price standards. Meanwhile, relaxing the control of fixing the prices of some nonstaple foodstuffs will also be favorable for encouraging enterprises that produce these foodstuffs to improve their management and their service quality.

Our program of price reform this year is focusing on the most fundamental principle, in which we will never let the people suffer losses. We will give certain monthly or per-capita subsidies to the urban nonagricultural population in line with current consumption standards in order to compensate for losses caused by the price hike after relaxing the price control. Thus, the living standard of the great majority of households will not be adversely affected by the price readjustment in their living standard. As a matter of fact, peasants will also not suffer losses in the price reform, but they will be first benefited. After relaxing the control of price standards, the general purchase prices of hogs, poultry, eggs, fish and vegetables will only be stable or have a little increase, and will not reduce on a large scale. We have done away with the unified or fixed state purchases of grains and cotton and enforced the contract system in purchases. We will purchase the 30 percent of contracted grains and cotton at the unified price and 70 percent of them at the subsidized above quota purchase price. Peasants are also

able to sell their out-of-quota grains and cotton at free markets. If the price of these grain and cotton at free markets is lower than the unified one, the state will purchase them again without restriction and in line with the original price. The state sale prices of grains and cotton to rural villages will be the same as that of the purchase ones. The expenses caused by this transaction will be subsidized by the state. Under the circumstance, the interest of peasants will be fully protected.

To successfully implement the program of the price reform this year, we have made full preparations for goods resources and persuaded the state enterprises to be our powerful backers. As soon as free markets incur excess price hikes after relaxing the control of price standards, the state commercial firms will be able to sell goods in big quantities in order to balance commodity prices, to stabilize markets and to play their role of regulating markets.

3) The opportunity of the price reform is quite favorable.

First, the stability and unity in politics and the deep-going foundation of the masses for the price reform have taken shape. The party's line, principles and policies set forth during the period since the 3d Plenary Session of the 11th CPC Central Committee are totally correct and warmly supported by the people. Along with the development of various undertakings, the people have incurred a great change in their mental attitude, further enhanced their trust of the party and the government and have fully been confident in socialist system and the program of building the four modernizations.

Second, the situation in the economy is fine and the price reform in 1985 has a certain dependable material foundation. The fact that the national economy has achieved steady, stable and harmonious development is the outcome of conducting readjustment and reforms and has created necessary conditions for the overall reform of the economic structure. Along with the development of industrial and agricultural production and the increase of economic returns, the state has increased its financial revenues, improved the people's livelihood, increased its financial revenues, improved the people's livelihood, increased its capability of burdens, and has made the enterprises and the masses increase their capability of burdens. Some foreign friends have even held that the current period is the "golden age" of China for conducting reforms.

[SK270902] Third, we can draw on the experience gained in the reform in the past several years. In fact, the price reform did not begin this year. Since the 3d Plenary Session of the 11th CPC Central Committee, in the course of carrying out the rural reform, we have reformed the purchasing prices of agricultural sideline products and the prices of some other commodities. Restrictions on the prices of fresh and live products were lifted in some fraternal cities in advance, and relatively good results were achieved in this regard.

Fourth, we have made necessary preparations for our work. Preparations for plans, goods supply and ideological work have been made in a relatively expeditious manner. Now is the peak season for selling eggs, vegetables, poultry and fish. But for the consumption of meat, it is an off season, with a relatively large stock of pork. It is safer to relax controls over the prices of these foodstuffs in this season.

Reforms of the prices of hogs and some other foodstuffs are extremely important, and will exert an extremely great influence on the overall situation. The success in the price reform will not only promote the development of production, enrich the sources of commodities, flourish the market and improve the service, but can also reassure the public and strengthen the people's confidence in reforms. The failure in this regard will hamper the development of production, strain the market, bring about a price fluctuation, and cause difficulty to the future reform. Therefore, we must achieve success in the price reform by every possible means in order to attain the anticipated purpose and win the first battle.

## 2. The important role of communist members in carrying out the reform.

Recently Comrade Deng Xiaoping has pointed out: "Reform is the second revolution of China." This remark of Comrade Xiaoping has explicitly pointed out the nature, significance and process of reform. We must deeply understand them. Now that the reform is a revolution, it is an inexorable trend of history, and cannot be changed by the people's will, that is, it invariably takes place no matter whether the people agree to it or not. Now that the reform is a revolution, it must be a great, glorious, arduous and complicated cause. Now that the reform is a revolution, it is an unprecedented cause which must be developed through repeated exploration because there are no past experiences that can be used. To acquire a correct understanding of and achieve success in the second revolution, we should draw on the experience of the first revolution. We gained many valuable experiences from the first revolution, of which, the most important and principal one is to depend on the party leadership to carry out revolution. In the past, we said that without the CPC, there would be no New China and no success in the first revolution. Now we can say that without the CPC, there would be no comprehensive reform of the economic structure and no success in the second revolution. Therefore, it is a historical mission of our party to exercise successful leadership over the economic structure reform and the four modernizations and to vitalize the Chinese nation. All party members must have a sense of responsibility, mission and glory, stand in the forefront of reform, and lead the vast number of the masses to carry through to the end the great unprecedented cause which takes place in a big country with 1 billion population.

In terms of the party leadership, the priority should be given to the leadership over the party line, principles and policies. The present CPC Central Committee is a firm Marxist leading core. The line, principles and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee are completely correct, conform to the practical situation of China, and enjoy the support and trust of the people across the country. This is the most important condition for our party to fulfill our own mission.

[SK270903] In the meantime, party leadership cannot be separated from party organizations at various levels and the exemplary role of party members. When we held discussions on the plans for the present price reform, many people held that the plans are good and feasible. However, there are also some people who had misgivings, fearing that the plans would be distorted in the course of implementation and would create problems. The municipal CPC committee holds that the key deciding whether the present price reform can be carried out smoothly and whether big problems will arise lies in party members. There are 480,000 party members, 900,000 CYL members, and thousands upon thousands of activists asking for joining the party and the CYL in the whole municipality. If these people can act resolutely according to party policies and the stipulations on the reform, and can persuade or lead those around them, first of all their families, to act according to the stipulations, we can say affirmatively that the reform will certainly progress smoothly. After analysis, the municipal CPC committee holds that party organizations at various levels and the masses of party members throughout the municipality are, in general, good. They have been resolute and conscientious in implementing the directives of the central authorities. In order to make the country strong and prosperous and the people rich, the overwhelming majority of party members have unswervingly supported and actively participated in the reform. They have the courage to explore ways of advance, and pay no attention to personal gains and losses. They emancipate their minds, seek truth from facts, and have the ability to carry out their work in a creative manner by linking party policies with the actual situations of their own localities and units. They strictly abide by discipline, carry out the party's decisions in an exemplary manner, and truly implement all orders and prohibitions. They are fully devoted to their work, and seek a down-to-earth and rigorous workstyle instead of formality and undeserved reputation. They forge close ties with the masses, show concern about the weal and woe of the masses, and try their utmost to solve the problems for the people and do everything for their benefit. They are the mainstay of reform, and are respected and supported by the people. The smooth progress of our municipality's economic reform, and the remarkable achievements it has scored cannot be separated from their avantguard and exemplary role.

The municipal CPC committee also holds that serious unhealthy tendencies indeed still exist within the party. Since the beginning of party rectification, problems have been solved. However, some problems have not been solved successfully, and others have not been solved at all. Many of the new unhealthy trends emerging last year are related with party members, and some of them have emerged with party members taking the lead. In view of the problems arising throughout the country, Comrade Xiaoping recently stressed the need to educate party members and the masses to foster ideals and moral characters, to be better educated, and to abide by discipline. Measuring against Comrade Xiaoping's instruction, we cannot but admit that there are indeed some serious problems existing in our party's political and ideological work, in its organizations and discipline, and in the quality, political consciousness, and workstyle of party members, and that some party members do not even know the most fundamental regulations, the most ordinary principles, and the very least they should carry out. They indeed must be reeducated.

Our communist party stresses ideals. In the years of war, many of our comrades defied their safety and braved untold dangers and hardships. But did they have wages or bonuses? What did they rely on and work for? It was for the liberation of the people, for the prosperity of the motherland, and for the realization of the lofty ideals of communism that they worked by dint of their ideals and belief. Ideals gave them the orientation, courage, wisdom and strength. What will become of some party members when comparing with them? These party members are provided with better conditions, but their ideals lag far behind. Some of the communist party members are now shortsighted, have no high aspirations and calculate assiduously for their benefit. When we talk about ideals with them, they would argue that they are merely empty talk. When we talk about belief with them, they would argue that it is superstition. When we encourage them to have long-term plans, they would say that they are invisible, and when we talk about reality, they would say that it means money seeking. They regard "real benefit" as a creed, and "money" as a guiding principle. They have forgotten the party Constitution, the application forms they filled in when joining the party, and the fact that they are party members. They are not as good as ordinary people, and have become politically mediocre persons.

[SK270939] Our communist party pays attention to aims. What has our party's basis been since our party changed itself from small to large and from weak to strong, surmounting all difficulties, defeating the strong enemy, and winning today's successes? Our party has been based on the basic aim of serving the people wholeheartedly. The broad masses of the party members always attach prime importance to the interests of the people, show concern for the masses and the weal and woe of the people, try every possible means to do real things for the people, are the first to bear hardships and the last to enjoy comforts, and enjoy the confidence and support of the people. This is a remarkable sign that our party is different from other political parties and the basic experience in winning the victory in the first revolution. But now some of our party members fail to persist in the aim and even go against it. The facts have shown: After having clearly checked the unhealthy practices, we came to know that some party members really make their own plans first, take advantage of their functions and powers to seek private gain, and vie with the interests of the people. Some people said that these party members "with sharp ears and good brains never fail to grasp any benefits and go wherever the benefits lie." Can these party members unite and lead the people? Can they carry into play their roles in reform? Can we make successes in the second revolution if we fail to solve these problems?

Our communist party pays attention to change. The standpoint of development is the most basic Marxist standpoint. We believe that everything in the world is under the eternal development of change. We oppose pessimistic views, the view of everything standing still, and the view of being arrogant and conceited. In accordance with this standpoint, our party overthrew the rule of imperialism, feudalism and bureaucratic-capitalism. In line with theory, our party has formulated a decision on reform of the economic structure. However, some comrades in our party do not understand or persist in this standpoint. They stick to old ways, cherish the outmoded and preserve the worn out. They always think everything in the past was good and

conducting reform is looking for trouble. Everything new emerging from reform is offensive to their eyes. They are alarmed at and make unwarranted charges against any minor problems. They are standing behind the people instead of standing in front of them and do not start the reform instead of engaging in reform. They make indiscreet remarks and criticism and do not do real things but only find fault with others. They act only as "judges," not as "sportsmen." They only blow the whistle without entering the courts. We must let out one mighty roar to these party members to heighten their awareness. Otherwise, they will become obstacles to the second revolution.

Our communist party pays attention to the overall situation. Individuals submitting to the organizations and the part submitting to the whole is the organizational principle of our party. The whole stands for the supreme and far-reaching interests of the people of the country. We called on all party members to do their own jobs well and to achieve the work of the units and departments where they belong, because all units and departments are part of the whole party. Achieving the work of a part is conducive to the whole. However, we must pay attention to the work of the part in order to achieve the work of the whole. We are never allowed to damage the whole in order to gain benefits for the part. Therefore, we consistently stand for attaching prime importance to protecting the whole situation while the part and the whole have contradictions at the same time. The current situation in some areas is just the opposite. Party members and party cadres of some units only pay attention to the interests of their own units to the neglect of the interests of the party. They even practice fraud, pay no attention to party discipline and state law, and damage the whole situation in order to seek interests for their own units. Some party-member leading cadres even go along with some people's unreasonable demands instead of persuading and educating them. They are generous at the state's expense in arbitrarily giving bonuses and gifts. They even obstruct the implementation of the central authority's united plans and the development of reform in the name of the people.

[SK270940] The CPC is a party which puts stress on principles. Never forfeiting and bartering away principles is the essential expression and the intrinsic feature of our party. The communist members are always required to be steadfast in their stand, have a clear-cut stand, stick firmly to the truth, and adhere to principles when they are faced with the cardinal issues of right and wrong. This is precisely the reason why we party members cannot be overwhelmed by any difficulty, and why we party members can preserve our awe-inspiring righteousness. What warrants our worry is that at present, some party members do not understand principles at all, and refuse to put stress and adhere to principles in front of the cardinal issues of right and wrong. Some party members even dare not resist evil trends and unhealthy practices, take up serious and long-standing problems, shoulder arduous tasks, and support the good people who adhere to principles and the good deeds which conform to principles. They dare not insist on what is right just because others oppose it. This is an expression of echoing the views of others. Their philosophy of life is: "Watch closely, speak slowly and bypass the contradictions"; "plant more flowers and fewer thorns which will bring about no trouble once

there is a campaign"; and "you are good, he is good, we all are good, and, in the final analysis, I am good." They engage in the "commodity exchanges" in terms of party life, that is, one gives the other convenience, and the other gives him benefit. Such decadent ideas and unhealthy trends, will bring about tremendous losses and damages to our party, are the major enemy to the four modernizations and the reform, and thus must be eliminated through joint efforts.

The CPC is a party which puts stress on policies. We have always considered the party's policies the party's life. We have required all party members to set an example in implementing the policies. Some party members, however, have a poor understanding of policies, refuse to consciously implement the party's policies, and, worse still, adopt attitudes of pragmatism, supporting what is conducive to themselves, and passively resisting or overtly agreeing but covertly opposing what is unfavorable to them. Under the current reform some policies and regulations are not good enough because they do not proceed from the interests of the party and the state, but are formulated to encourage the unhealthy trends under the signboard of reform and opening to the outside world.

The CPC is a party which puts stress on discipline. We have always considered discipline as the guarantee for implementing the line. Without iron discipline, it would be impossible to unify the actions of the entire party, and the party would have no fighting capacity. Therefore, we require communist members to set an example in abiding by disciplines. Under no circumstance should we seek to relax control over the party discipline, and no exceptional case should be allowed. Over a period of time, we have paid insufficient attention to the discipline, and relaxed our efforts in implementing the discipline. As a result, some party members have become reckless, flouted at laws and discipline, and, in handling major issues, refused to ask for instructions beforehand and submit reports afterwards. They have even implemented the party and government instructions and decisions in a perfunctory and arbitrary manner. They have turned a deaf ear to the prohibitions and repeated injunctions. They have maintained that the audacious will reach the bursting point, the timid will go hungry, those who dare to contradict others will gain extra advantage, and those who abide by discipline will suffer losses. If we fail to change such situations, how can we achieve success in reform and the four modernizations?

[SK270959] Our communist party stresses plain living and hard work. We held that, as we stressed plain living and hard work when we carried out revolution in the past, we still should keep to such points in carrying out the four modernization drive today. Plain living and hard work is our precious heritage. But nowadays, some party members hold that the practice of plain living and hard work is outdated and that they should seek an easy and comfortable life. What Comrade Lei Feng said is quite true: We should compare our work with advanced units, and our life with the lower levels. Some comrades, however, do not compare their work with advanced units. They compare their livelihood with better ones. They compete with each other in buying brand-name vehicles, building large houses, assuming higher posts, and getting higher wages. They give banquets and gifts under any pretext,

engage in lavish dining and wining, go sightseeing and seek personal comforts under various excuses. They are not softhearted and stingy in wasting state property. Of course, we do not oppose improving the livelihood of the people and do not advocate a miserable life and the practice of the poorer the better. Our purpose in carrying out the four modernization drive is aimed at improving the livelihood of the people step by step. But we must not discard the spirit of plain living and hard work. Only by doing so can we maintain our strong fighting spirit, purify our ranks, win the support of the masses, and perform our work well.

Our communist party stresses Marxism. Marxism-Leninism-Mao Zedong thought is one of our four basic principles as well as a guideline directing our party's work. At present, some party members and cadres are not interested in studying Marxism, and the general mood of study is very poor. Some party members and cadres have even failed to acquire an elementary knowledge of Marxism. They fail to understand what is meant by idealism, dialectics, metaphysics, socialism and capitalism. As for the party's principles and policies, they just know that they are so but not why they are so. They deal with major issues of principle according to the trend of events, and hesitate in doing things, confusing everything, and making people ignorant of what they mean. We cannot do our work well without improving such a situation. And more importantly, we will be unable to train successors who do not know Marxism well. This is a major matter affecting the future and the destiny of the state. Therefore, we should pay great attention to it.

The aforementioned 10 aspects are the party's basic practices, general theories and common talk. And now, instead of stressing such aspects, we have paid less attention to them.

Though the abovementioned problems are the party's basic practices, general theories and common talk. And now, instead of stressing such aspects, we have paid less attention to them.

Though the abovementioned problems are the party's minor problems, their harmful effects are serious. If we fail to properly solve these problems, we cannot guarantee victory in reform. There are many reasons for these problems, but the most important one is the weak and listless state of the party's ideological and political work. Some people may have different views, but I hold that these are true facts. Here, I will touch on my reasons.

For instance, the price issue is the one which causes much discussion in society. Some people said "price fluctuation will cause a poorer life." Some masses and party members also said so. Such an issue affects the people's feelings, the stability of society, and the whole situation of the four modernizations. Our party members, cadres and comrades in charge of ideological and political work should study such issues carefully, speak the truth and answer directly. At least, they should not echo the views of others and follow the wind. We acknowledge that the prices of commodities fluctuated slightly along with the readjustment of prices. But with the development of production, the employment rate has expanded and the wages of workers and staff have been raised. Generally speaking, the increase in bonuses has

enabled workers, peasants, and intellectuals to improve their living standards remarkably. Take our Tianjin as an example. The average per capita income of peasants in 1984 reached 505 yuan, an increase of 2.3 times over 1978 and the average annual growth was 22 percent. The average per capita income of urban workers and staff members reached 671 yuan, an increase of 21.4 percent over 1983. Actually, the increase should be 19.3 percent after deducting price increases. [SK271107] With the increase of the people's income, savings deposits of the urban and rural population increased continually. By the end of 1984, the total volume of savings deposits reached 2,218,000,000 yuan, an increase of 552 million yuan, or 33.1 percent, over the end of 1983. The quantity of practical consumer goods owned by urban and rural residents has increased year after year, and food, clothing, houses and consumer goods used by the people have become better and better. This is a fact obvious to all. After seeing what the people wear, eat and use and how comfortably they live, we can discover that remarkable changes have taken place in only a few years. People seeking to live comfortably, dress beautifully, use expensive goods and eat nutritious food has become a universal trend. Although our present living standards are not high and a few comrades still live in dire circumstances, the improvement rate of our living standards is not low and the people are satisfied with this improvement rate when viewing the current situation of social economic development and viewing the tremendous efforts made by the party and the state. Of course, we do not rest content with the existing state. We will continue to improve the living standards of the people. If we regard the situation of "not resting content with the existing state" as the situation of "being displeased with the existing state," and if we obstinately regard the improvement of the people's livelihood as backwardness, we will obscure the demarcation line between right and wrong, disturb the people's thinking, create a kind of compliant mood, affect the political situation of stability and unity, and dampen the people's confidence in the four modernizations. Confronted with such a cardinal issue of right and wrong, we party members and cadres should bravely step forward to realistically and clearly explain the situation and conduct the ideological work in order to eliminate those erroneous comments. However, it is too bad that some party members and cadres have not done so.

At present, there are such prevalent sayings in our society as: "We should do everything for money's sake and rely on money to do everything"; "Money is the all-purpose pass"; and "With money we can do everything, and without money we cannot move a single step." Obviously, such an idea as "money being all-purpose" is a decadent capitalist ideology. However, instead of refuting such ideas our party members and cadres, also follow others in shouting and acting like this, and even go so far as to violate party principles for money's sake, thus humiliating the nation and forfeiting their personality. The fact that such an obviously wrong practice has been allowed to spread unchecked without giving it any criticism has given rise to a question as to whether or not we still adhere to the four fundamental principles, and what our party organizations have done for this evil trend. It is right to oppose all "leftist" practices, stress economic efficiency, and advocate the principle of distribution according to work. But they are only a part of the means, not the total of the means, still less the purpose. We advocate the development of a planned commodity economy and the utilization of the

law of value. But we cannot move the principle of commodity exchange to the sphere of inner-party political life. We party members also need food, clothes and houses, have personal interests, and should also gain more remuneration from more work. But, they should give priority to contributing to the party, the state and the people, and should not do everything for money's sake. In carrying out reform, developing the four modernizations, and taking the road of becoming better-off, priority should be given to the prosperity of the state and the people. Party members and cadres should put people's interest ahead of their own, and strive to make the people well-off ahead of them and the grassroots units well-off ahead of them and the grassroots units well-off ahead of the higher-level units. This is the due style and sentiment of party members. Some of our leading cadres and party members even have no courage to stress this style and sentiment. Does this not mean that there is weakness and laxity in the party's political and ideological work? We must face up to and be determined to solve this problem.

[SK271215] The Central Commission for Guiding Party Rectification has pointed out that the important guiding ideology for the second-stage party rectification is to closely link party rectification with reform. Through rectification, we should eliminate the obstacles to reform and create fine political conditions and social environment. Through reform, we will be able to determine whether or not we make successes in the second-stage party rectification and whether or not we have consolidated and developed the achievements in the first-stage party rectification.

Our aim in conducting party rectification is to conduct comparison and examinations and to solve, one by one, all existing unhealthy tendencies and problems unfavorable to reform within the party in line with the party constitution and the decision on party rectification. We should correct the new unhealthy practices in accordance with party spirit, party style, and party discipline instead of judging the unhealthy practices as they stand. With regard to stressing party spirit, we should unconditionally implement the party constitution, consistently pay more regard to the interests of the party and the people than anything else, subordinate the interests of the individuals to the interests of the party and the people, and foster a great ideal of realizing the four socialist modernizations and being dedicated to realizing communism. We should enthusiastically educate and patiently help comrades with all sorts of shortcomings and help them correct their mistakes and become qualified party members. On the basis of conducting ideological education, we should conscientiously examine and handle party members and cadres who violate the law and discipline and commit serious mistakes in line with the party discipline and political discipline. Those who would be dismissed from their posts must be dismissed and those who should be dismissed from the party must be dismissed from the party. Those who gained advantages by unfair means should thoroughly return their illegal gains to the original possessors. Those who violate state law should be punished in line with the law. Party members should be persuaded to resign from the party if their revolutionary will has been waning, they fail to do their duty well, they are not qualified party members, or they refuse to mend their ways despite repeated admonition. Activists who have come forward in the course of reforms and construction and who meet party member requirements should be

recruited into the party in a timely manner in order to make our party stronger and more purified.

The key reason for me to deliver such a speech at the conference on price reform is to explain the issue that we should rely on the party to achieve reform. So long as we solve the problems within the party, strengthen the ideological and political work in the party, and the party members play a vanguard role in conducting the price reform, we will be able to conduct the reform smoothly and to capture successes in both reform and party rectification.

### 3. Several measures for insuring a smooth progress of the price reform.

Whether or not we make successes in price reform will affect overall reform and the final outcome of reform. Therefore, we must strengthen the party's leadership, adopt conscientious and effective measures, firmly attend to every specific link, carefully give instructions, and take no risk at all with a view to insuring a smooth progress of reform.

[SK271259] Efforts should be made to establish or perfect responsibility systems in conducting ideological education and to encourage party members to help the masses, staff members, and workers to be responsible for their family members, and backbone personnel to give an impetus to general personnel in order to enable each cadre, party member, CYL member, and backbone personnel to fix their targets in conducting propaganda work. No unit and locality is allowed to leave a "dead area" that has never heard the propaganda of price reform.

Press, radio and television broadcasts should actively make concerted efforts to successfully conduct propaganda work. Efforts should be made to properly and prudently pay attention to results in this regard and to strictly follow the unified principle set forth by the central authorities and the municipal CPC committee in order to have no one going his own way. Attention should be paid to overcoming the onesidedness of conducting propaganda work and preventing the ideological confusion caused by improper propaganda work which may bring about difficulties to price reform. Efforts should also be made to continuously report the good news concerning the program of building the four modernizations and the people's livelihood in order to encourage the people and heighten their spirit.

Second, we should strictly and earnestly enforce discipline.

We must take a unified step in conducting price reform, which requires strict discipline. The ideological education we have stressed means urging the people to consciously support price reform. However, people who have become conscious after being unconscious require a certain process because there is a difference between quick and slow awareness. Therefore, we must abide by the provisions of the price reform as soon as they have been proclaimed. Those who are still unconscious must be restrained or punished in line with discipline.

Our program of price reform was formulated by the municipal CPC committee and the Municipal People's Government in line with the guidelines of the central authorities. All party members, particularly leading party-member cadres at all levels, must resolutely implement the program. Those who differ should offer their opinions inside the party and are not allowed to act against the program even slightly. All party members, whether or not they have differed or have been conscious, must implement the program. To free some comrades from making mistakes, the municipal CPC committee and the Municipal People's Government put forward the following eight-point law:

- a. Strictly prohibit those who rush to purchase or illegally purchase commodities in short supply and create a strained atmosphere in order to disturb markets.
- b. Strictly prohibit those who create or publicize rumors and spread embroidered stories and malicious gossip in order to confuse and poison people's minds.
- c. Strictly prohibit those who conduct price hikes arbitrarily by taking the advantage of confusion.
- d. Strictly prohibit those who do shoddy work and use inferior materials, resulting in low-quality products and damaging the interest of consumers.
- e. Strictly prohibit those who use phony materials and give short measure to harm customers.
- f. Strictly prohibit those who indulge in back-door deals and collude with outside personnel in order to transact "short-supply" products and make excess profits for private purposes.
- g. Strictly prohibit those who reveal economic secrecy and sell information, resulting in damage to the state interests.
- h. Strictly prohibit those who seek personal gain by committing embezzlement and act against the law and discipline, such as giving banquets, conducting extravagant eating and drinking, receiving bribes, covering up illegal cases, and winking at errors.

The eight-point law mentioned above is the concrete supplement to the "10 do-nots" set forth by the municipal CPC committee and the Municipal People's Government with regard to "not raising prices arbitrarily." All party members and cadres throughout the municipality should set themselves as examples in abiding by the law and educate their family members not to violate it. Efforts should be made to conduct their work in line with the law and to resolutely and strictly deal with those who have violated the law without any leniency.

[SK280727] Party organizations and party discipline inspection departments must enhance ideological understanding and understanding of policies, do their duties well and examine the situation of party members' in a timely manner on

implementation of the "eight-point law." We should be impartial, incorruptible, upright, never stooping to flattery, boldly face difficulties, persist in principles, and conscientiously examine and handle the problems concerning leading organs and leading cadres violating the "eight-point law." We should strictly handle typical cases concerning the typical persons who do not enforce orders and exhibitions, disregard party discipline and defy the law; circulate a notice making the typical cases public in order to warn others against following bad examples; really enhance the law and discipline; eliminate unhealthy practices; and foster a healthy atmosphere.

Third, we should support reform with actual deeds. Price reform is a matter relating to the whole situation. All trades, professions, departments and units in the municipality should enthusiastically engage in reform, and make efforts to do real deeds in order to add luster to the reform.

Comrade and service trade should correct management orientation, widely open avenues for replenishing their stock, enliven the circulation of commodities, strengthen management and operation, do a good job in sanitation management, and improve service quality so as to make the people see the new changes emerging from price reform through the "windows" of commerce and service trade.

With regard to industry, we should make efforts to upgrade economic results, improve product quality and prevent a blind growth rate. We should make efforts to improve the quality of enterprises, enhance management and operation, promote technological progress, and produce more products of good quality and low cost with high economic results and are marketable in order to meet social demands, to enliven the market, to increase the state income and to bring real benefits to the consumers.

Foreign trade departments should improve management style, firmly attend to the purchase of export products, achieve the cooperation and connections between industrial and trade departments, do their best to reduce losses, vigorously promote the sales of goods and strive to create more export goods and to earn more foreign exchange with a view to enhancing the state economic strength.

With regard to agriculture, we should conscientiously continue to implement the guidelines of the central authority's Document No 1 of 1985; further readjust the rural production structure to increase the production of meat, vegetables, eggs, poultry and fish; achieve the precision processing of agricultural and sideline products; and support and promote urban reform.

Fourth, we should strengthen the party's leadership over price work.

Party organizations at all levels should pay full attention to the work of price reform, put the work on the main agenda and assign principal leading comrades to take charge of this work. Party organizations directly in charge of market prices should have a spirit of taking the whole responsibility to firmly and really attend to the work, firmly attend one by one to such links as preparations for the supply of goods, connections between

production and sales, stock and transport of commodities, control over the prices of goods and strict control over the chain reaction. We should solve the problems in a timely manner as soon as we find them. We are in no way allowed to carelessly neglect the resolution of problems. We should regard the work of price reform as an important standard for measuring the fighting power of party organizations. The party organizations of units should take prime responsibility for the units' failure to conduct reform.

[SK280728] We should reform our workstyle and go deeply into the realities of life to conduct investigations and research and to get first-hand information. In the wake of grasping market trends and attending to the feelings of the masses, we should be keen on and accurate in getting information, and should discover problems and solve them in a timely manner. Information feedbacks should be rapid and smooth.

We should strengthen market administration and supervision. The party and government departments at all levels should mobilize the strength of all quarters, give full play to the role of the pricing, industrial and commercial departments in particular, dispatch specialized personnel to administer and check on prices, allow the masses to supervise the check-up work, organize some check-up groups to go deeply to the grassroots levels and divide up the work and assign a part to each individual or group. We should handle matters impartially, be conscientious and meticulous, stop and deal blows to the illegal acts of violating the pricing policy, and safeguard the interests of the broad masses of consumers.

The role of the trade unions, the CYL committees, the women's federations, the militia, and other mass organizations should be brought into full play and the broad masses of people should be united and educated in exemplarily observing the relevant stipulations on price reform so that the people of all quarters will contribute to this work.

Comrades, the formulation of the price reform plan indicates that the first battle of the economic structural reform with a focus on the reform of the urban economy has already begun. The municipal CPC committee firmly believed that the communist party members, the CYL members, cadres at all levels, and the broad masses of workers, peasants and intellectuals in Tianjin will withstand temper and tests of this great reform.

Our veteran comrades symbolize our party's glorious traditions. They are the eyewitnesses of the glorious course of revolution. During the hard and bitter war years of the revolution, they neglected their own lives, never gave a thought to personal gain or loss in order to accomplish the national liberation, performed deeds of valor in battles for the birth of new China, did not fear hardships, worked hard day and night, and made great contributions to the socialist revolution and construction. The municipal CPC committee deeply believed that the veteran comrades will treasure their glorious history in the course of reform, develop the party's glorious traditions and serve as models of the younger generation.

The municipal CPC committee has pinned ardent hopes on the young cadres who are outstanding competent persons emerged in the new period, and to whom history has entrusted the heavy responsibility of making China prosperous. I hope that the young cadres will make great efforts to study the basic Marxist theories, bear firmly in mind the fundamental principle of wholeheartedly serving the people, be tested by the party and the people in the course of reform, experience trials, and improve ability, so that the revolutionaries of the older generation will feel relieved.

The broad masses of CYL members and youths have very few conservative ideas and they are full of pioneering spirit. They are a new vital force working hard for greater improvements. The municipal CPC committee hopes that the CYL members and youths will foster ideals, observe discipline, study and work hard, and make outstanding achievements.

The working class of Tianjin has glorious revolutionary traditions. It has been brave in fulfilling tasks entrusted by the party, and has made great contributions to the revolution and construction cause. Intellectuals are the most educated part of the working class and are a vital force in the reform. The municipal CPC committee hopes that the broad masses of workers, staff and intellectuals across Tianjin will appear as masters of the state, actively participate in reform, support it, shoulder historical missions, and fully display their role as a main force.

Let our communist party members, and CYL members work together with the Tianjin people, rise with force and spirit, actively respond to the call of the party, plunge into the torrents of reform, perform meritorious deeds, and pioneer the road of advance. Let us display our energies and devote our wisdom and strength to the rise of the Chinese nation and the prosperity of Tianjin.

CSO: 4006/653

PROVINCIAL AFFAIRS

TEXT OF HUBEI PROVINCE GOVERNMENT WORK REPORT

HK231445 Wuhan HUBEI RIBAO in Chinese 3 May 85 p 1

["Text of Hubei Governor Huang Zhizhen's Government Work Report at Third Session of Sixth Hubei Provincial People's Congress on 21 April 1985"-- passages within slantlines published in italics]

[Text] Deputies:

During the past year, as with the situation throughout the country, the situation in our province has become increasingly more satisfactory and the people throughout our province are filled with even greater confidence in building up socialism with Chinese characteristics. In light of the spirit of the 3d Plenary Session of the 12th CPC Central Committee and the 3d Session of the 6th NPC, the provincial people's government has analyzed the current economic situation and discussed and studied this year's work in various fields including the work of reform and construction. Now, on behalf of the provincial people's government, I am going to deliver to this congress this work report for examination and discussion.

I. Work Results in 1984

In 1984, under the leadership of the party committees at various levels, the people's governments at various levels and the masses of people throughout the province implemented the "Decision" of the 3d Plenary Session of the 12th CPC Central Committee, a series of the CPC Central Committee and State Council instructions, and the resolution of the 2d Session of the 6th Provincial People's Congress, adhered to the principle of enlivening the economy at home and opening up to the outside world, carried out the economic structural reform with the focus on the urban economy, strived to be in the forefront of the struggle for achieving the four modernizations and made unremitting efforts. Our province made new progress in its work on all fronts and thus gave rise to a situation of lively economic life that had been rare for many years in the past.

In 1984, the economic reform made steady progress. Our rural reform continued to deepen, and commodity production continued to develop. On the basis of popularizing the contract responsibility system with remuneration linked with output, the number of households of various kinds rose to more than

1.6 million, accounting for about 20 percent of the total number of rural households and about 6,000 specialized villages emerged. This further emancipated rural productive forces and promoted the readjustment of the structure of our rural undertakings. In order to explore a new road for rural reform, we carried out experiments of all-round reform in Suizhou, Danjiangkou, Huangpi, Puqi, Shishou, Badong, Luotian, Anlu and Dangyang Counties and cities. We carried out new experiments and made new exploration on our urban reform and did a fairly large amount of work, scored achievements and accumulated experiences in giving play to the role of key cities and invigorating our enterprises. With the approval of the CPC Central Committee and the State Council, we granted Wuhan city the status of separate listing and the power of provincial-level economic administration power, and carried out an experiment of all-round economic structural reform in this large provincial capital city. At the same time, we continued to expand the economic administrative power of Shashi, Xiangfan, Huangshi, Yichang, Shiyi, Jingmen and other cities, and then allowed Suizhou and Laohekou cities separate listings in the province's plans. In accordance with the principle of streamlining government administration and decentralizing power, the various departments and bureaus directly under the provincial authorities transferred 82 enterprises to the jurisdiction of cities and counties. We selected 83 state-owned industrial enterprises to test the system of factory directors (managers) assuming responsibilities there, and we carried out experiments of allowing the total wage payments to float in proportion to the change in economic results at the Wuhan Iron and Steel Complex, Hubei Iron and Steel Complex, Wuhan Freezer Plant, Shashi Machine Tools Plant and other units. We expanded the decisionmaking power of our state-owned enterprises over their production planning, administration and management, selection of materials and goods for purchase, and the marketing of their products. In light of their different conditions, we adopted different forms of management in our small state-owned enterprises. Some of them continued to be owned by the state but were managed by collectives, others were transformed into collective enterprises, and still others were assigned to or rented, by contracts, to individuals to manage. In order to further reform our circulation system, 23 of the 29 second-grade wholesale centers formerly under the jurisdiction of the provincial department of commerce were transferred to the jurisdiction of cities and counties, and we reduced the scope of the state monopoly over the purchases and of the compulsory purchases of agricultural and sideline products, and improved the purchase and marketing system for our industrial products. In accordance with the relevant regulations of the state policies, we carried out initial exploration on our price reform. With the approval of the State Council, we first fixed, on a trial basis, grain sale prices 30 percent lower than purchase prices. At the same time, we abolished the state monopoly over the purchases and the compulsory purchases of pork and vegetables in 30 counties and cities and allowed these goods to be purchased and sold freely. In order to meet the demands of the economic reform, we conducted some corresponding reforms in some other fields and scored achievements. For example, we reformed the system of transferring and allocating personnel in a centralized and planned manner, and adopted many forms and methods to recruit personnel, including recruiting personnel from the areas outside the province, transferring personnel for better employment, and publicly

recruiting personnel through examinations and other methods. By so doing, we made an initial breakthrough in the service work for exchanging and better employing personnel.

[HK231447] In 1984, we achieved a sustained increase in our economic construction. Boosted by the economic reform, the gross industrial and agricultural output value of the whole province amounted to 53.58 billion yuan (calculated at the fixed price level of 1980), an increase of 18.4 percent over 1983 compared with the average annual increase of 10.6 percent from 1979 to 1983. The province's national income totaled 28.6 billion yuan, an increase of 21.1 percent over 1983; and its financial revenue totaled 4.32 billion yuan, an increase of 9.6 percent over 1983. The major economic targets for the Sixth 5-Year Plan were attained 1 year ahead of schedule. Our agriculture achieved an overall bumper harvest with the output of major agricultural products including grain, cotton, oil-bearing crops and tobacco reaching a historical high since the founding of the PRC. The province's gross agricultural output value was 17.7 billion yuan, an increase of 26.2 percent over 1983. Its total grain output was 45.26 billion jin, an increase of 13.8 percent; that of cotton was 12.13 million dan, an increase of 57.6 percent, and that of oil-bearing crops was 11.07 million dan, an increase of 31.2 percent. The gross output value of township and town enterprises totaled 7.28 billion yuan, an increase of 79 percent over 1983. Our industrial production continued to increase and its economic results rose markedly. The province's gross industrial output value reached 35.88 billion yuan, an increase of 14.9 percent. To this figure, the local state-owned industrial enterprises that were taken into account in the budget contributed 16,105,000,000 yuan, 10.6 percent more than they did in 1983. These enterprises contributed 3,258,000,000 yuan in terms of realized profits and tax payments, which was 11.2 percent more than they did in 1983. They accelerated their pace of technological transformation and achieved marked results. The investment in renewal, transformation and the implementation of technological measures completed in the whole year totaled 1.47 billion yuan, an increase of 18.8 percent over 1983. The scale of capital construction was under control and the construction of key projects was strengthened. All five large and medium-sized projects which the state ordered us to complete and put into operation were completed ahead of schedule. The investment fulfilled in local energy, communications, education, science and technology projects was over 20 percent more than that in 1983. Our urban and rural markets were prosperous and the volume of sales and purchases rose in an all-round manner. The total retail sales of social commodities reached 14.99 billion yuan, 19.4 percent more than that in 1983. The livelihood of our urban and rural people continued to improve. The average per capita wage of our urban staff and workers reached 889 yuan, an increase of 17.1 percent over 1983; while the per capita net income of our peasants was 392.3 yuan, an increase of 31.1 percent.

In 1984, we implemented the policy of opening up to the outside world, strived to expand external economic and technological exchange and scored new achievements. The total foreign exchange income from our exports amounted to \$459 million, 11.3 percent more than that in 1983. Agreements were reached to utilize foreign capital and introduce technology from abroad in 231 projects, the value of which totaled \$159 million, an increase

of more than 100 percent over 1983. Our province strengthened its economic and technological cooperation with other provinces, municipalities and autonomous regions and between the various areas and departments inside our province.

In 1984, we also achieved new development in our science, education, cultural, public health, sports and other undertakings. We scored a number of achievements in making our science and technology serve our economic construction, including 124 major scientific research achievements at state and provincial levels. The application of most of these achievements was popularized. Teaching and study conditions improved in our middle and primary schools, vocational and technical education developed relatively greatly, and the scale of the matriculation of our colleges and universities continued to expand. Our literature and art units created and put on a number of fine literature works and fine performances that were well accepted by the people. Our public health undertaking developed and medical conditions improved. We scored achievements in practicing family planning and the natural rate of population increase was 10.6 per thousand. The level of sports further rose. We won 74 gold medals in major international and domestic games, set 2 world records and 15 national ones.

[HK231449] During the past year, while grasping economic construction, we conscientiously grasped the construction of spiritual civilization. The activities of five stresses, four beauties, and three loves deepened and the new socialist habits continued to develop. We strengthened the work to build up our political power and the education in our legal system and continue to improve our social order. We made new progress in our militia work and our militia played a very satisfactory role in the construction of two civilizations. We also made new progress in the work related to minority nationalities, religion, foreign affairs, overseas Chinese, tourism and other fields. This played a positive role in strengthening the unity between various nationalities, expanding international exchange and promoting the peaceful reunification of our motherland.

Deputies, the achievements scored by our province in its work in 1984 have created favorable conditions for deepening the reforms and laid material foundations for our province to strive to forge ahead at the forefront of the four modernizations. It is entirely possible for our province to attain the goal of struggle for doubling our gross industrial and agricultural output value 2 years ahead of schedule during the first 10 years, a goal examined and approved by the 2d Session of the 6th Provincial People's Congress. Our province's gross industrial and agricultural output value for 1980 was 33,237,000,000 yuan, therefore, doubling it means to push it up to 66,474,000,000 yuan. Our province's gross industrial and agricultural output value had already reached 53.58 billion yuan last year and the disparity was only 12,894,000,000 yuan. From 1981 to 1984, the average annual net increase in our province's gross industrial and agricultural output value was 5,086,000,000 yuan. As long as we continue to maintain this pace in the coming 3 years under the precondition of raising our economic results, we will be able to attain the above-mentioned goal of struggle. Of course, this depends on the people of the whole province continuing to strive hard together with one heart and one mind.

Under this tremendously fine situation, there are still quite a few problems. For example, the structure of our rural undertakings is not rational enough, our industrial economic results are not ideal enough, our leadership over the reform is not vigorous enough, and our education, and science and technology undertakings fail to meet the demands of our economic development. The particularly outstanding problem was that during the latter half of last year, particularly in the fourth quarter, we failed to strictly control our credit and consumption funds and injected too much currency. In addition, some of our units and departments arbitrarily raised prices and indiscriminately paid bonuses and a small number of party and government organs and cadres were engaged in trade, ran enterprises, and carried out other unhealthy practices. All these caused the prices of some commodities to increase. According to our initial investigation and analysis, most of the increased currency that we injected into our market last year was normal. For example, the increase in the purchases of agricultural and sideline products resulted in an increase of 51.4 percent of money put into circulation over the preceding sideline products year. The development of our collective and individual economies, and the increase in the number of groups and units caused the increase in the funds served as financial basis for such groups and units increased. This employed a certain amount of currency. However, a portion of that increase was indeed irrational and the increase in our credit and consumption funds went beyond the scope allowed by or existing financial resources. In 1984, the total amount of various kinds of loans provided by all the banks in our province rose by 33.5 percent and the amount of increase in December alone accounted for 47 percent of the total increase for the whole year. Our consumption funds, in the main payments in the nature of wages, rose by 21.8 percent over last year. Last December, it rose by 53.79 percent over the same period in 1983. The excessively sharp increase in our credit funds was mainly caused by the practice of some specialized banks who rushed to lend money and provided loans ahead of schedule and in excess of their resources in order to raise their loan bases. The excessive increase in their consumption funds was because some enterprises, administration units and institutions indiscriminately increased wages and paid out bonuses, cash allowances and allowances in kind.

[HK231451] These problems were new ones that cropped in a tremendously fine situation, and which emerged in the course of development and were therefore not important. However, if we allow them to get out of control, they will be detrimental to our reforms and economic construction; therefore, we must never treat them lightly. Some of these problems were new problems that emerged in the course of reform and were hard for us to foresee. We can only solve them through continuously summing up our experiences during the reform. Others emerged because we lacked experience and deep understanding, and because we failed to consider things carefully enough, conduct sufficiently strict inspection, or vigorously correct our mistakes. In particular, when we enlivened our microeconomy, we failed to adopt vigorous measures to strengthen our macroeconomic control and thus failed to promptly discover and correct some problems. The provincial people's government is to be held responsible for them and must draw lessons from and be on its guard against them. Before the Spring Festival, we adopted a series of measures in accordance with the spirit of the relevant instructions of the CPC Central

Committee and the State Council. After the Spring Festival, the provincial government held a meeting of administrative commissioners, city mayors and chairmen of autonomous prefectural governments to relay and implement the spirit of the national governors' conference and adopted more measures. Now, these problems have been put under control and are being solved. During the first quarter of this year, the whole province achieved a net withdrawal of 199 million yuan of currency from circulation. Facts have proved to us that as long as we unify our understanding and pace and conscientiously tackle those problems, they are not difficult to solve. We should not become less resolute or slow down our pace in carrying out reforms because some problems have cropped up. We must continue to explore our way while forging ahead in carrying out our reforms, and always be informed of any new development of the situation, sum up new experiences, solve new problems and boost the development of the tremendously fine situation.

## II. Major Tasks for Economic Construction in 1985

This year is one in which we are to fulfill in an all-round manner and overfulfill the Sixth 5-Year Plan and create conditions for the smooth implementation of the Seventh 5-Year Plan. Satisfactorily arranging this year's plan for our national economic and social development is of great significance for guaranteeing the smooth progress of our economic reforms and enabling us to strive hard to rank among the frontrunners of the four modernizations. At the provincial planning conference which was held at the beginning of this year, we initially drew up our province's national economic and social development plan for this year. The major targets of this plan are: A gross industrial and agricultural output value of 58.4 billion yuan, an increase of 9 percent over last year, in which agricultural gross output value will be 18.9 billion yuan, an increase of 7 percent and the industrial gross output value will be 39.5 billion yuan, an increase of 10 percent. Our province's national income will be 30.95 billion yuan, an increase of 8.3 percent over last year. Its financial revenue will be 4.5 billion yuan, 6.1 percent more than that of last year if calculated at comparable price levels. The total retail sales of social commodities will be 17,244,000,000 yuan, an increase of 15 percent. There will be new development in all undertakings including science, technology, education, cultural, public health and sports undertakings as well as further improvement in people's livelihood.

Much leeway has been left in fixing the targets of this year's national economic plan and the planned growth rate is smaller than the actual growth rates of the past few years. Recently, in his "government work report" to the Third Session of the Sixth NPC, Premier Zhao Ziyang emphatically pointed out: "We must adhere to the principles of seeking truth from facts and making steady progress, and resolutely prevent the views of blindly seeking and competing for higher growth rates." This is a fundamental guiding thought for our current economic construction. The governments, economic responsible departments, and enterprises at all levels must prevent the practice of blindly pursuing high growth rates and correctly handle the relations between growth rate and economic results and between accumulation and the development of consumption, economic construction and other undertakings. We must continue to regard raising our economic results as the key to all our economic

work and strive, under this precondition, to achieve a sound growth rate and insure a sustained, steady and harmonious development of our province's national economy.

[HK231453] /1. Continue To Readjust the Structure of Rural Undertakings and Develop Rural Commodity Economy/

The CPC Central Committee's Document No 1 this year is a programmatic document that guides the further development of our rural economy. Not long ago, the provincial CPC committee held a provincial rural work conference to make an all-round arrangement for the implementation of Document No 1. We should continue to strengthen our leadership over agriculture. Agriculture is the foundation of our national economy; therefore, our governments at all levels should, as always, conscientiously grasp agriculture, carefully direct agricultural production, organize the resources of various trades and sectors to help and serve our rural areas and prevent and correct the malpractice of all sectors asking for contribution from our peasants, thus aggravating their burdens. We should deeply carry out rural economic structural reform, rationally readjust the structure of rural undertakings, further develop commodity production and create a new situation in our province's rural work.

Readjusting the structure of rural undertakings is indispensable for the transformation of our rural economy toward specialization, commodity production and modernization. During the last few years, we have reaped bumper agricultural harvests and thus laid a satisfactory material foundation for the readjustment of the structure of our rural undertakings. We should seize the present very fine opportunity and continue to satisfactorily readjust the structure of our rural undertakings. We should adhere to the principle of slackening our efforts in producing grain while conscientiously developing diversified undertakings, fully apply the achievements of rural resources surveys and the work for the division of agricultural rural zones, give play to local favorable factors in light of local conditions, and conscientiously carry out the readjustment in the manner of seeking truth from facts. Grain production is one of our province's strong points and all areas that are suited to grain production should satisfactorily grasp it. We should pay attention to protecting the initiative of the areas that mainly produce grain and the households specialized in producing grain, and encourage and lead them to develop fine species, popularize advanced technology, strive to raise the per unit area output, do a good job of grain transformation and achieve a steady increase in grain output. Hubei's cotton is of relatively fine quality and has a relatively sharp competitive edge in the market at home and abroad. We should help cotton farmers further improve cotton strains, do a good job of comprehensive utilization and intensive processing, and strive to achieve an increase in our output and income. Our commercial and foreign trade departments should conscientiously open up domestic and foreign markets and promote the sales of our products. In readjusting the structure of our rural undertakings, we should foster the concept of viewing the situation as a whole and the view of establishing a multilevel structure. In the light of the reality in our province, we should vigorously develop the production of various kinds of industrial crops and lay

particular stress on developing animal husbandry, aquatic products industry, and forestry in order to fully give play to our province's strong points in having vast mountainous and water areas. At the same time, we should vigorously develop the food processing industry, animal food industry, small mining industry, building materials industry and other secondary industries and develop tertiary industry including commerce, service trades and transportation. Through the readjustment, we will further establish an undertaking structure characterized by an all-round development of agriculture, forestry, animal husbandry and fishery and the combined operation of agriculture, industry and commerce.

Vigorously developing township and town enterprises is a demand for realizing our province goal of achieving the quadrupling ahead of schedule and is also an important aspect of the readjustment of the structure of our rural undertakings. The governments at all levels must strengthen their leadership, adhere to the principle of developing township and town enterprises on many levels and in many forms allowing townships, villages, households and combined households to run these enterprises and vigorously support and correctly guide their development. We should give a free hand to our peasants to engage in any rural trade and undertaking that the peasants can be engaged in. Our cities should support the development of township and town enterprises and should transfer to these enterprises the production of those labor-intensive products and components that these enterprises are capable of producing. We should resolutely implement the policy of giving preferential credit and tax treatment to township and town enterprises, a policy fixed by the CPC Central Committee's Document No 1. Our township and town enterprises themselves should strengthen their administration and management, attach importance to information, personnel and technology, continuously develop new products in light of market demands, improve product quality and sharpen their competitive edge.

[HK231455] The life of the masses of people in some of the old revolutionary base areas and minority nationality and remote mountainous areas need our continuous support. In particular, the masses of people in the old revolutionary base areas have made very great contributions to our revolution and construction and we must be concerned about them and help them to become rich as soon as possible. The provincial authorities have decided that in the coming 3 years, 54 million yuan will be allocated to help the old revolutionary base areas, and a total of 45 million yuan will be allocated to provide full support including the supplies of some materials and goods for poor areas to help them develop production. In addition, every year, 15 million yuan is to be provided as loans to help mountainous areas develop small hydroelectric power stations. Beginning from this year, the provincial financial department will exempt a small number of poor areas from agricultural taxes. As the grain sale prices are to be readjusted this year, the province has decided to allocate 530 million jin of grain to be sold at a price equal to the state purchase price plus handling expenses to the rural households in those areas who have less than 400 jin of per capita food grain. We should also do a good job to help the poor households in the cotton areas which suffered natural disasters last year, and in other areas.

Last year, our province reaped a bumper agricultural harvest, which was mainly because of the relatively fine weather. It is as yet hard to forecast this year's weather. We should continue to grasp the construction of the water conservation projects that we started last winter or this spring, and strive to derive benefit from them as early as possible. We should promptly strengthen our river dikes and reservoirs to prevent disasters beforehand. In short we should do a good job of making preparations for resisting any natural disaster and strive to achieve a bumper harvest this year.

/2. Persist in Regarding Raising Economic Results as the Key and Carefully Organize Our Industrial Production/

Since the beginning of this year, the general situation of our province's industrial production has been satisfactory. During the first quarter, our province achieved a gross industrial output value of 9,617,000,000 yuan, an increase of 24.8 percent over the same period last year. To this figure, the local industrial enterprises taken into the budget contributed 4,151,000,000 yuan, 13.4 percent more than in the same period last year; their sales totaled 3,699,000,000 yuan, 16.3 percent more than that for the same period last year; and their realized profits and tax payments totaled 810 million yuan, 20.1 percent more than that for the same period last year. The financial revenue for the whole county [as published] was 1,108,000,000 yuan, an increase of 17.2 percent over the same period last year. We should continue to satisfactorily grasp our economic results and carefully and satisfactorily organize our industrial production.

We should vigorously and satisfactorily grasp the production of energy and the production of major raw materials in our metallurgical, chemical and building materials industries. In order to solve the contradictions between the supply and demand of pig iron, rolled steel, caustic soda, synthetic fiber and other raw materials so as to insure the smooth operation of our industrial production, in addition to vigorously developing cooperation with other provinces, organizing our enterprises to redistribute these materials among themselves, and importing an appropriate amount of them, we should strive to tap our potential, strengthen technological transformation and do all we can to achieve a greater increase in our production. At the same time, we should vigorously grasp conservation of energy and reduction of the consumption of raw materials, persist in giving preferential treatment to the enterprises with fine performances by supplying them the raw materials over which there is a state monopoly, and thus allocate our limited amount of raw materials to those who need them most in order to achieve the greatest economic results. We should accelerate the construction of the new projects, extension projects, and the projects introduced from abroad that are arranged to produce raw materials. We should also fully utilize our province's abundant resources and develop and exploit some new-type raw materials.

[HK231457] In order to meet market demands, we must vigorously develop our light and textile industries. Now, not only are our products of fine quality and well-known brands and new durable consumer goods in very short supply, but there is also a shortage of our high-class consumer goods for

daily use in general. We should earnestly and satisfactorily grasp light and textile industrial production and the production of consumer goods for daily use. The key to the development of our light and textile industries is to "substitute new products for old ones." This year our province's light and textile industrial sector plans to trial produce 14,600 kinds of new products and products with new varieties, designs and packaging. It will focus on developing cotton and linen products, the everyday products of the food, paper and chemicals industries, electrical appliances, furniture, clothing and plastic products. At the same time, we should conduct an all-round check on the 584 kinds of products which have been granted the titles of provincial fine-quality products, analyze the cause for any instability in the quality of those products, set a deadline for consolidation and improvement, and strictly prevent the malpractice of neglecting quality when the products sell well. We should continue to develop some new fine-quality products. We should continue to implement the principle of "giving six aspects of preferential treatment" to the products that sell well. We should conscientiously arrange production and insure market supplies of the daily necessities for our masses of people including soap, matches, toilet paper and detergent.

The CPC Central Committee and the State Council have pointed out that during the Seventh and Eighth 5-Year Plans, our country will implement a policy of focusing on the technological transformation, reconstruction and extension of its existing enterprises in its economic construction. This is of decisive significance in developing our industrial production and raising our economic results. This year, the total scale of the local investment in the technological transformation of the whole province will be 1.28 billion yuan and we must make satisfactory arrangements for this. The key to the technological transformation should be the popularization and application of the new technology in our raw material industry and of microdata processing technology and we should grasp the transformation of all our textile, light, machine building and electronic industries. Our metallurgical industry should focus on increasing iron and steel output and insuring the supplies of rolled steel, introduce advanced technology and equipment such as those related to the conversion process and transform the existing enterprises. Our chemical industry should focus on speeding up the transformation of the 22 backbone enterprises such as the Hubei provincial chemical plant and on the production of caustic soda, fertilizer, pesticide and tires. Through introducing from abroad advanced technology and equipment, our textile industry should strive to replace in 3 years the over 5,000 existing iron and wooden looms and some of the outdated printing and dyeing equipment so as to coordinate and rationalize the initial and final processes. Our machine-building industry should focus on improving the quality and technical level of 22 kinds of key products and 118 backbone enterprises and on raising the economic results. Our electronics industry should regard as the key to its transformation the development of new products and products of fine quality and introduce from abroad full sets of technology and equipment to equip our backbone enterprises. We should satisfactorily grasp the technological transformation related to conservation of energy and the reduction of the consumption of raw materials, focus on comprehensive utilization in our metallurgical and chemical industries, popularize the method of supplying heat to a whole area in a centralized manner, and lower the

reject rate. The 3-year boiler renewal and transformation plan that we formulated the year before last must be fulfilled this year. We should combine the technological transformation with the prevention of pollution and do a good job of environmental protection.

### /3. Persist in Opening Up to the Outside World and Expand External Economic and Technological Cooperation/

Opening up to the outside world is a basic, long-term national policy of our country. We should fully exploit our province's favorable conditions, open wider to the external world and draw in foreign capital and technology as much as possible. At present, the keys to the utilization of foreign capital and the introduction of foreign technology are: 1) Strengthening the construction related to the energy, communications and raw materials industries in order to augment the reserve strength of our province in further developing its economy; 2) Closely combining the introduction of technology from abroad with our technological transformation, so as to acquire advanced technology, grasp the key and accelerate the technological transformation of the whole country; and 3) satisfactorily grasping the key undertakings that are strongly capable of earning foreign exchange so as to organically combine introduction of technology with earning foreign exchange and heighten our international payment capability. [HK231459] Concerning the methods of introducing foreign technology, we should conscientiously utilize foreign capital, develop compensation trade, the processing of foreign goods from foreign materials, and the assembling of foreign components into foreign goods, and expand the scale of direct utilization of foreign capital and introduce advanced technology and management methods from abroad. We should conscientiously utilize the medium- and long-term and medium- and low-interest loans that foreign governments have provided us, and the preferential loans that international financial institutes have provided us, in order to satisfactorily develop the products that play a vital role in the development of our province's national economy. Our province's first batch of 238 projects for this year have already been announced to the outside world and the various areas should vigorously grasp and satisfactorily make preparations for holding talks with foreigners and strive to score greater achievements in reaching agreements with foreigners on these projects. Expanding exports to earn more foreign exchange is an important condition for introducing advanced technology and equipment from abroad. This year we plan to earn a total of \$540 million from the export trade of the whole province. We should vigorously grasp the organization of the production of the export products that have been listed in our plan so as to insure the delivery according to the plan; and we should make great efforts to increase the production and exports of the commodities that have not been listed in our plan but that are marketable abroad. While continuing to satisfactorily grasp the exports of traditional products, we should strive to expand the exports of our machinery, electrical products, hardware, tools and raw materials. We should improve the quality, reduce the costs and enhance the competitive edge of all our export products. We should earnestly implement the State Council's circular "On the Methods of Retaining Foreign Exchange Earned Through Exporting Commodities," and insure that 50 percent of the foreign exchange retained by localities is given to the enterprises and units

that supply the commodities for export. We should continue to satisfactorily reform our foreign trade system, separate government administration from enterprise management, provide agency services, vigorously unblock the circulation channels, organize supplies of goods from all sources and strive to fulfill this year's planned target for foreign exchange export earnings. Our departments of foreign affairs, overseas Chinese affairs, and tourism should continue to emancipate their minds, make friends with all kinds of people, and thus serve the four modernizations.

We should not only open up to the outside world but also open up to other provinces, other cities and other enterprises, develop horizontal economic relations and satisfactorily carry out economic and technological cooperation. Last year, the materials and goods that our province acquired through cooperation with other areas played a major role in solving our province's problem of lacking energy and raw materials. We should continue to consolidate old cooperative relations and open up new channels of cooperation in order to acquire through cooperation the materials and goods in short supply and draw in funds, technology and personnel to promote our province's economic development. We will provide preferential conditions and various facilities for those who come to our province to invest in factories and mines. At the same time, we should fully exploit our strong points and do our best to support other provinces and municipalities. All the prefectures, cities, autonomous prefectures and counties should open their doors to one another, give play to their strong points and carry out the cooperation and exchange related to materials and goods, funds, personnel and technology. The cooperation geared to one another's needs between Wuhan, Shashi, Ichang, Huangshi and other cities and Exi, Yichang, Yunyang, Huanggang and other prefectures should score new achievements this year. Our large- and medium-sized cities should strengthen their cooperation with, and support to the counties around them. The coordinating organizations at all levels should strengthen their work in collecting, transmitting and feeding back information and promote the development of the work of economic and technological cooperation.

[HK231501] /4. Further Enliven Circulation and Promote the Economic Exchange Between Our Urban and Rural Areas/

Through the reform in our circulation system in the past few years, circulation is much livelier than in the past. However, as our commodity production develops, we must further unblock our circulation channels. At present we should focus on satisfactorily grasping the economic exchange between our urban and rural areas. Our cities should organize the supplies of everyday consumer goods, in particular, well-known brand and fine quality products, in our rural areas to satisfy the demands of our peasants. At the same time, they should keep their doors wide open and provide various facilities for rural collectives and individual traders to do business in the cities. Our practice during the past year has proved that the trade centers of various kinds have played a positive role in enlivening circulation and promoting the economic exchange between our urban and rural areas and should continue to be developed and perfected. All units, state or collective economic units or individual producers or traders and all areas and departments can take

part in the trade activities in the trade centers. All industrial, agricultural and sideline products, except those allocated by the state and those procured as assigned by the state, are allowed to be purchased and sold at the trade centers and wholesale markets. State-run commerce should continue to play its role as the major channel, vigorously organize sources of supplies of goods, increase its sales and purchases and conscientiously take part in the regulation of the market mechanism. We should continue to encourage the development of collective and individual commerce and further enliven our circulation. This year, except for a few product varieties, the state will abolish its monopoly over all agricultural and sideline products and our state-run commerce and the supply and marketing cooperatives should conscientiously do a good job of giving purchase orders by contracts and purchasing these products in the market, providing the peasants with market information, and helping peasants open up the market for their products in order that the state can acquire the supplies of the products that it wants to purchase, and that the peasants can sell what they want to sell. Our industrial and commercial departments should coordinate closely with each other, pay attention to any changes in the market, strengthen the work of market forecasting and satisfactorily arrange the supplies in our market. The relevant departments should strengthen their management and supervision over the market so as to protect the interests of our consumers.

We should vigorously develop our tertiary industry. The development of our tertiary industry is directly related to the improvement of our economic results and work efficiency and we should strive to develop our commerce, catering trade, service trades, repair services, tourism and information service and establish some public places of recreation in a planned manner. Except for some key projects that are to be established by the state, we should mainly rely on the strength of the various sectors in our society in developing our tertiary industry. We should support the redundant personnel of our factories, enterprises and institutions, and the urban job-awaiting youths to organize themselves to develop tertiary industry and we should also support peasants in entering urban areas to become engaged in tertiary industry.

#### /5. Develop Science and Technology and Education To Better Serve Our Economic Construction/

Science and technology and education are strategic key links in our economic development and have a bearing on the whole situation of our modernization. This year, on the basis of carrying out reform, we should achieve new development.

Recently, the CPC Central Committee has held a national scientific and technological work conference and adopted a decision on the reform of our science and technology system. This is a major strategic policy decision of the CPC Central Committee which we should conscientiously implement. At present, we should regard the opening and developing of the technology market as a point to make a breakthrough and thus bring along the reform of our whole science and technology system. Opening the technology market, and allowing our scientific research and technological achievements to enter the sphere of

exchange as commodities is an effective method to enable our scientific research and technological achievements to be quickly transformed into productive forces and applied to our products, and to give full play to the role of knowledge and talented people. We should conscientiously create conditions and provide necessary sites and facilities for exchange trade fairs, discussion, and exhibitions of scientific and technological achievements.

[HK231503] In the near future, we will remove the tax on the income earned in transferring technological achievements and our technological development institutes and enterprises can spend a portion of their income from the transference of technological achievements to award the workers who have directly taken part in the work in developing the technology. Our production units will enjoy the preferential treatment of tax reduction or exemption for a certain length of time when they adopt new technology to produce new products. According to requirements of the national scientific and technological work conference, we can appropriately increase the allocation of funds for science and technology and at the same time reform the system of the allocation of funds and continue to popularize the system of supplying science and technology for payment by contract. We should put an end to the practice of stockpiling and wasting talented people, promote the rational movement of scientific and technological workers and encourage them to move to the departments and units that have weak scientific and technological work forces which urgently need reinforcement, to remote border and mountainous areas, small towns and collective enterprises, and to the posts where they can play a greater role. As for certain problems that have cropped up in the movement of personnel at present, we should solve them through enlightenment, adroitly guide action according to circumstances, preserve what is advantageous, and eliminate what is disadvantageous. We should give full play to the role of the old generation of scientific and technological specialists, give a free hand to promoting middle-age and young scientific and technological backbone cadres to key posts in our academic and scientific and technological work, and support top young talented people to show their talents. We should have the courage to give substantial rewards to the scientific and technological workers who have made major contributions. All areas, departments and units should do their best to help our scientific and technological workers overcome their difficulties and encourage them to score greater achievements and better serve the economic construction.

Social sciences play an important role in our reform and modernization. Our leading organs, basic-level units and social science departments should closely coordinate with one another and make joint efforts to develop our social sciences. Our province has a relatively strong contingent of social science workers and the governments at all levels should attach sufficient importance to it and give full play to its role. Our social science workers should persist in integrating theory with practice, vigorously carry out research into the practical problems and the theoretical discussion centered on the economic structural reform, provide widespread advisory services, and thus make their contribution to the four modernizations.

In developing our educational undertaking, we should focus on the fundamental goal of training more and better talented people and reform all the education systems and patterns that do not meet the demands of the four modernizations.

We should continue to develop our higher education. This year our higher education institutes should continue to tap their potential and adopt diverse forms such as directional recruitment and commissioned training of students to expand their scale of recruitment. We should grasp the construction of the Hubei University, the Hubei Engineering Institute, the Hubei Agricultural Institute and the Eastern Hubei University. We should sum up the experience gained in the experiment of expanding the decisionmaking power in Hubei University and gradually popularize this experience. Regarding our general education, we should gradually implement the method of running and administering education level by level and assign the responsibility for developing basic education to various areas. We should vigorously develop vocational technical education and make our minds to transfer some of our ordinary senior middle schools into vocational senior middle schools. Our various units and departments can set up vocational technical schools independently or jointly with one another or with the education departments. In recruiting workers, our various units should first choose vocational middle school graduates. We should continue to popularize junior middle school education. We should continue to develop various kinds of adult schools at various levels on the basis of strengthening their administration. We should create conditions for people to become talented people through self-study. We should actively develop preschool education. We should appropriately increase our education funds and continue to improve the conditions in our schools. The governments at all levels should show concern about the support teachers and actually do something good for them. This year is the year when teachers' day is to be initiated and we should develop a general mood of respect for teachers in our society and raise our teachers' social status.

[HK231505] There should be new developments in our cultural, public health and sports undertakings. Our literature and art workers should create more and better works to reflect the four modernizations, inspire the patriotic enthusiasm of the vast number of the masses of people and arouse them to strive to make our country strong and to devote their energy to the four modernizations. The professional artistic performance groups should adhere to the orientation of serving the economic construction, cater to the needs of the basic level, establish close ties with the community, strengthen their capacity for self-development and gradually change the method of the state undertaking all-round responsibility for, and controlling all the administration of these groups. We should encourage the masses of people to develop cultural undertakings and further enliven and enrich their cultural life. Our public health sector should continue to implement the principle of combining curing diseases with preventing them and putting prevention first, strengthen the work of preventing and treating local diseases, snail fever and various kinds of infectious diseases, continue to satisfactorily grasp the consolidation of rural basic-level medical organizations and develop civilized hospitals and Chinese herbal science and medicines. We should vigorously develop mass sports activities and widely carry out diversified sports activities in order to improve the people's health.

### III. Conscientiously and Prudently Carry Out Economic Structural Reform

The decision of the 3d Plenary Session of the 12th CPC Central Committee on speeding up the pace of the reform in the whole economic system with the focus on urban reform is of extremely great significance in insuring the sustained and steady development of our national economy and in better creating a new situation in our socialist modernization. The people's governments at all levels should follow the principle decided by the CPC Central Committee on "acting resolutely and steadfastly, being prudent about the initial battle, and being sure to achieve victory." In accordance with the unified arrangement of the CPC Central Committee and the State Council, they should give full play to all kinds of favorable factors, carefully organize their work, carefully implement the policies, do a good job of the various work of reform this year and lay a relatively sound foundation for the reform in the future.

#### /1. Continue To Streamline Administration, Decentralize Power and Enliven Enterprises/

Instilling our enterprises with greater vitality is the starting point and aim of our reform. We should continue to invigorate our small enterprises and collective enterprises and stress solving the problems related to the vitality of our large- and medium-sized backbone state-owned enterprises. Streamlining administration and decentralizing power is a precondition for enlivening our enterprises. The 10 regulations on expanding the decision-making power of our enterprises formulated by the State Council should be implemented in our enterprises to the letter. The responsible economic departments should continue to separate government functions from the functions of the enterprises, streamline their administration, decentralize power and switch the focus of their work onto serving the enterprises. We should conscientiously reorganize our existing companies. Regarding our companies that are economic entities, we should strengthen their leadership and consolidate and develop them, and regarding the administrative companies, we should transform them into economic entities as soon as possible if they are provided with the conditions for this transformation, while we should close down those of them who are not provided with the conditions for such a transformation. In enlivening our enterprises, we should select and promote to leading posts the middle-age and young cadres who resolutely implement the party's line, principles and policies, who are familiar with the work, have pioneering spirit and are full of vigor; and continue to satisfactorily build up our leading groups.

Our large- and medium-sized enterprises should make efforts toward improving themselves and should not rely on the tax exemption and reduction from the upper level or on increasing the burdens of the consumers. They should fully apply the various kinds of power granted by the state to speed up their own internal reform, improve their management, tap their potential, give play to their strong points, heighten their capacity for reform and development and thus make greater contributions to the state. They should establish and perfect, in light of their own respective characteristics, diverse forms of the internal economic responsibility system with the contract responsibility

system as the major form, and perfect and strengthen various management systems centered on the economic responsibility system. They should not only attach importance to heighten the initiative of their staff and workers, but at the same time should also attach importance to the initiative and sense of responsibility of our enterprise managers and thus earnestly solve the problem of "eating out of the same big pot" inside the enterprises. They should pay attention to giving play to the role of workshops. Big workshops can operate as independent accounting units and be managed independently. If necessary, with the approval of the responsible departments, they can be turned into branch factories. Our large- and medium-sized enterprises can operate mainly in one undertaking while carrying out diversified undertakings and utilizing their surplus labor to develop tertiary industry.

[HK231507] Our city governments should also transfer as soon as possible to enterprises the powers that they should delegate to them. They should strengthen the work of macroeconomic administration and coordination, and guide and promote the specialized coordination between, the reorganization of, the combination between and the technological transformation and modernization in, our enterprises. We should leave some leeway in assigning the mandatory planned targets to our large- and medium-sized enterprises so as to allow them the opportunity to overfulfill the targets. As for the large enterprises that are satisfactorily managed, and that have made great contributions and retained too little profit, with relevant approval we should allow them to retain a relatively larger percentage of their profits and reduce the readjustment taxes.

## /2. Carefully Organize and Insure the Smooth Progress of the Reform of Our Wage System and Our Price Reform/

The CPC Central Committee has decided to take an important step forward in our wage system reform and price reform. These reforms are two major tasks in this year's economic structural reform. In accordance with the unified arrangement of the CPC Central Committee, we should make careful arrangements and insure the smooth progress of our wage system and price reform.

Reforming the irrational existing wage system and gradually eliminating the egalitarian malpractice of "eating out of the big pot" in our wage distribution is necessary for smoothly pushing forward the reform in our whole economic system with the focus on urban reform. There are the following two main aspects in our wage system reform: In our state organs and institutions, we will implement the wage system with job wages as the major form and thus closely link the wages of our staff and workers with their jobs, responsibilities and performance; while in our state-owned enterprises, if conditions permit, we should gradually link the wages and bonuses of their staff and workers with the economic results of their enterprises, and in the enterprises where there are no such conditions for the time being to establish such a link, we should continue to implement and improve the existing methods. This year's wage reform is mainly aimed at switching into the orbit of a new wage system. At present, the state's financial resources are limited and it is impossible to heighten our wage standards very much. In the future, as our production develops and as our state's financial resources

increase, the wages of our staff and workers will constantly and steadily increase. We should foster the view of considering the situation in its totality and consciously observe the various regulations of the state on wage reform. Our state organs should not use local financial resources to fund additional wage increases. Our organs are strictly forbidden to engage in commerce to earn income for independently funding their wage reform. Our institutions should not formulate their own wage standards, nor are they allowed to pay wages or bonuses out of their development funds. In carrying out their wage reform, our state-owned enterprises should strictly implement the regulations of the State Council's Document No 2 of this year, which strictly forbids paying bonuses, in cash or in kind, or allowances out of bank loans or enterprise development funds. The wage reform is relatively complicated and affects hundreds and thousands of families so we should make careful and satisfactory preparations for it and carry it out in accordance with the unified stipulations of the CPC Central Committee. We should conscientiously and satisfactorily do ideological work, and guide our vast numbers of staff and workers to fully understand the aim, significance and prospects of this wage reform, to become clear about the fact that the increase in their wages is rigidly restricted by the existing financial resources of the state, and to correctly handle the relations between the interests of the whole country and those of a part of the country, and between their immediate and long-term interests. Over the past few years, the cadres and intellectuals in our state organs and institutions such as scientific research, cultural, educational and medical units have enjoyed relatively little increase in their income and thus have relatively greater difficulties in their livelihood. But they have continued to make contributions to the four modernizations. We believe that they will certainly continue to carry on their glorious tradition of being the first to bear hardships and the last to enjoy comforts, fully understand and implement the relevant policies and regulations on this wage reform, and satisfactorily carry out the reform with one mind and one heart.

[HK231509] Our country's existing price system is very irrational and the prices of quite a few commodities do not reflect their value nor the relations between supply and demand. We must break the methods and concepts of freezing prices and supplying by coupons, which have taken shape for many years and reform our irrational price system. We should resolutely implement the central authorities' principle on combining the methods of decontrolling and readjusting prices, making progress in small paces, and allowing prices to fall as well as rise, and concentrate our strength to satisfactorily grasp the work of price adjustment that the central authorities have assigned up to this year. Here, I am going to stress the problem related to decontrolling the prices of pigs and adjusting the prices of grain and edible oil in our rural areas.

Since last March, the various areas in our province have one by one decontrolled pig prices, abolished the practice of assigning purchase quotas, and allowed people to sell and purchase pigs freely through various channels. After pig prices are decontrolled, the state will pay our urban consumers appropriate amounts of subsidies. Decontrolling pig prices is conducive to transforming grain into meat, developing pig production and increasing the

supplies of pigs in our market. After some time our pig prices will gradually stabilize. The province will allocate 400 million jin of grain and 20,000 metric tons of urea to our food department, which can use this grain and urea in signing purchase contracts with peasant households and households doing specialized jobs and will thus be able to purchase pigs and control the supplies of pigs. Our food department should strengthen market management, manage to absorb goods in busy seasons and put the absorbed goods in our market in idle seasons, and thus regulate our market and stabilize prices.

Concerning the problem of grain price reform, this year, we will purchase grain by contract and in the market. The prices of the grain purchased by contract should be calculated according to the "reversed 30 and 70 percent principle" (namely, 30 percent of the grain purchased by contract should be bought at the unified purchase price and 70 percent of it should be bought at a price higher than the unified purchase price).

The grain not covered by the purchase contracts can be sold in the market freely. If our peasants sell this grain to the state, the state can purchase an unlimited amount at the original unified purchase price. The grain sale price in our rural areas should be readjusted correspondingly in accordance with the change in purchase prices which are calculated according to the "reversed 30 and 70 percent principle." In light of the actual situation in our province, we have decided to allocate the 1.8 billion jin grain that the central authorities have allocated to our province for readjusting the structure of our rural undertaking, borrow 300 million jin of grain from the provincial grain depots, sell some of this 2.1 billion jin of grain at the unified price plus expenses in our poor mountainous areas, and use the rest of it to make up the grain shortage in the areas that mainly produce cotton, and that have turned farm land back into forests, grassland, or lake areas and thus help develop the forestry, animal husbandry and aquatic products industries.

The reform in our price system is the key to the success and failure of the whole economic structural reform. We should carry out this reform in accordance with the unified arrangements of the State Council, and we should not allow people to each act at his own will. Even less will we allow them to take advantage to conduct indiscriminate and disguised price hikes. Our price and industrial and commercial administrative departments should strengthen their management over the market and prices and strictly impose price discipline. The relevant departments should strengthen their macro-economic administration, strictly control credit funds, consumption funds, and the scale of the investment in fixed assets in order to maintain a basic balance between accumulation and consumption and between supply and demand. We should conscientiously do a good job of propaganda and explanation, remove people's worries about price reform, and safeguard the interests of the state and the masses of people.

[HK231511] /3. Reform Our Planning System and Strengthen the Comprehensive Application of Various Kinds of Economic Levers/

Our socialist economy is a planned commodity economy established on the foundation of public ownership. In accordance with the principle of "insuring the satisfactory control of major aspects and widely and flexibly decontrolling minor aspects," from this year, we will abolish the mandatory plans over our agricultural production and issue guidance plans only on 13 kinds of major agricultural products. Except for three medical herbs--musk, the bark of eucommia and the bark of official magnolia--on which we will continue to impose purchase quotas in order to protect resources, all agricultural products will be purchased by contract or in the market in light of their different conditions. The number of industrial products on which mandatory plans are imposed will be reduced from 177 to 43. Guidance plans will be imposed on 54 of these products and 80 of them will be regulated by market mechanism. The number of industrial products for which there are mandatory plans on the purchase and transference will be reduced from 30 to 11, and guidance plans will be imposed on 12 of those from which mandatory plans have been lifted. The number of materials and goods that are distributed by the state in a centralized manner will be reduced from 256 to 53. In allocating these materials and goods, we will give priority to insuring the fulfillment of the state and provincial mandatory production plans and to satisfying the demand for delivering planned products to the state. Our enterprises have to purchase in the market the materials and goods that they want for producing the products not included in the plans; and our urban collective enterprises, township and town enterprises, cooperative economy and family economy will mainly rely on the regulation of market mechanism in purchasing the materials and goods they need. The number of products for foreign trade for which there are mandatory purchase plans will be reduced from 177 to 22. The expansion of the scope of guidance plans and the regulation of market mechanism facilitate the conscious and flexible production and operation of our production units and urge our enterprises to organize production in light of the demands in our market and to improve their administration and management and their economic results.

This year we will delegate some power over the examination and approval of some capital construction and technological transformation projects and of some projects that utilize foreign capital. Our various prefectures (including Suizhou and Laohekou cities) are empowered to examine and approve any capital construction or technological transformation project which needs less than 3 million yuan of funds and for which the funds are self-raised and any project that utilizes less than \$1 million. Except for Wuhan City which has province-level power to examine and approve projects, seven other cities under the jurisdiction of the province have the power to examine and approve any self-funded capital construction and technological transformation project costing less than 5 million yuan and any capital construction project that utilizes less than \$1.5 million in foreign funds.

Since the planning management power is being transferred downward, we must satisfactorily strike a comprehensive balance in the whole situation. The planning committees at all levels should lead other relevant departments to

jointly study the question related to the comprehensive application and overall coordination of the various economic levers including finance, taxation, prices, loans and foreign exchange, satisfactorily arrange the proportional relations between accumulation and consumption, control the scale of the investment in fixed assets, prevent the increase in our wage funds from exceeding the increase in our tax payments and profit delivery, and in our labor productivity and macroeconomically insure the smooth implementation of our economic plans on the basis of observing economic laws. We should strengthen the construction of our economic information network, intensify economic information management, do a good job of national economic forecasting, and guide our enterprises to organize their economic activities in light of the demands of the development of our national economy.

[HK231531] /4. Give Full Play to the Central Role of Cities/

Hubei has Wuhan, Huangshi and Ezhou in the east with the major industries of metallurgy, machinery, building materials, textile and chemical industry. It also has Yichang, Shashi and Jinmen in the mid-west with the major industries of power, petrochemicals, light industry and textiles; and Shiyan, Xiangfan and Suizhou in the northwest with major automobile, electronics and textile industries and light industry. We must give full play to the advantages of these cities. We must strive to build these cities into open, multipurpose, socialized and modernized economic centers by making the most of their advanced science and technology, large number of technical personnel, convenient transport and commercial facilities, large amounts and quick transmission of information, and other advantages so as to better serve the economic construction of the whole province and push Hubei's economy forward. Urban reform involves all the spheres of the entire national economy rather than just industry. With the main task of giving full play to the multifunctional role of cities, we must make a further success of urban reform. Although marked progress has been achieved in Wuhan's overall reform, it is necessary to continue to strengthen leadership, give vigorous support, carry out close cooperation and develop the reform in depth. On the basis of the reform experiments conducted over the last few years, Shashi and Xiangfan should scale new heights. In line with their own circumstances, other cities should learn from the experience of the pilot projects and further promote their reforms. Meanwhile, we must strengthen the building of small towns and gradually set up interconnected economic zones of various sizes and forms based on the rural areas and with support from cities. The governments in the urban areas should concentrate their forces in doing urban planning, construction and administration well; promoting the development of production; unclogging the circulation channels; tackling environmental problems in a comprehensive way; and developing culture, education, public health, information and other public undertakings so as to constantly enhance the economic strength and overall service capability of the cities.

We must continue to pay close attention to the auxiliary reforms in the fields of labor and personnel, taxation and finance. It is necessary to suit the needs of the reform of the economic structure and to further readjust and reform the administrative management organs so that the superstructure will correspond to the economic base and expand the productive forces.

#### IV. Foster Lofty Ideals and Discipline, Insure the Smooth Progress of Reform and Construction

Comrade Xiaoping recently pointed out that we can unite and build socialism with Chinese characteristics only by relying on lofty ideals and discipline. Comrade Xiaoping's instruction is the important guiding ideology we must uphold in carrying out reform and economic construction.

The modernization program we are carrying out is socialist modernization and the purpose of reform, the open-door policy and invigorating the domestic economy is to emancipate the productive forces and develop the socialist cause. In the course of reform and construction, we must have firm belief in Marxism and Leninism and lofty communist ideals. These are the soul and motive force for the healthy development and victory of our cause. We could undergo innumerable trials and tribulations and win the victory of revolution in the past because we had lofty ideals and faith in communism. In carrying out reform and the four modernizations at present, we must also have lofty ideals and faith in communism. While strengthening the building of material civilization, the people's governments at all levels should vigorously strengthen the building of spiritual civilization and enhance education in communist ideals and morality, particularly among the young people. We must enable the broad ranks of cadres and masses to love the motherland, people, labor, science and socialism; uphold the socialist orientation; consciously resist and fight against the corruption of capitalist, feudalist, and other decadent ideas; look into the future with a foothold in the present; and make great efforts to realize the ultimate goal of communism.

Strengthening discipline is the guarantee for carrying out the unified will and safeguarding the interests of the whole. Without discipline it would be impossible to form into a mighty force. While adopting measures in the course of reform, the people's governments, departments and units at all levels should take the overall situation into account. They should proceed from the interests of the whole rather than those of their localities and units and should take note of the reaction of their measures and actions in the comprehensive field. The central authorities have already laid down the correct concept and policy decisions for economic construction and the reform of the economic structure. We must follow the unified plans of the central authorities, advance along the correct path charted by the CPC Central Committee, persist in integrating the interests of the state with those of the collective and individuals, link up the long-term interests with immediate interests, adopt an overall point of view, and oppose selfish departmentalism. Localities, departments and units should not overstep their authority, act as they please, and infringe upon the interests of the state as a whole. While studying and handling problems which involve the overall situation, it is essential to resolutely follow the stipulations of the state. In cases where there are no stipulations to follow, we must ask for instructions from the higher authorities without delay. Those who violate party discipline and state laws should be severely punished according to the seriousness of their cases.

[HK231515] It is necessary to further establish and perfect various rules and regulations so that we can have stipulations to follow. We must use economic, administrative and legal means to do a good job of macroscopic economic management. Since last year, we have somewhat strengthened the work of utilizing the economic levers and perfecting the economic legal system. In accordance with the constitution, laws and relevant stipulations of the central authorities and in connection with Hubei's actual circumstances, we have formulated a series of policies and regulations and have sorted out the standard documents promulgated by the provincial government since the founding of the PRC. The results show that there are a number of documents which need to be revised. Furthermore, the situation of reform will become more complicated as it develops in depth. Along with the development of the economy, it will be necessary to appropriately readjust and handle the increasing number of economic relations. Under the guidance of the constitution and state laws and decrees, we must continue to formulate new regulations and methods which suit reform and the open-door policy. On the one hand, we must take the lead in carrying out these regulations, and on the other hand, we must strengthen supervision and inspection over the implementation of these regulations. Naturally, strengthening macroscopic control and management does not mean resuming the old methods without making any distinction. Instead, it means correctly handling the relations between management and invigorating the economy under the new situation and promoting the steady and coordinated development of the national economy.

The unhealthy tendencies in the new situation, such as party and government organs and cadres engaging in commercial businesses, running enterprises, indiscriminately issuing bonuses and raising prices, making false and exaggerated reports, and practicing formalism are the factors which sabotage reform, the open-door policy and the invigoration of the economy. They are also concrete expressions against lofty ideals and discipline. If we fail to resolutely curb these unhealthy tendencies, they will hamper the smooth progress of reform and undermine the modernization program. In accordance with the instructions of the CPC Central Committee and the State Council and the plans of the provincial CPC committee, Hubei scored certain achievements in curbing the unhealthy tendencies at a previous stage. The leading cadres at all levels attached due importance to the matter and a number of leading comrades personally took a hand in the inspection and rectification work. By studying documents, the broad ranks of cadres have deepened their understanding and enhanced their sense of organizational discipline. The problems investigated are now being handled. However, we must not overestimate our achievements, but should continue to make efforts to curb and straighten out these unhealthy tendencies. According to the CPC Central Committee, the stress of the second stage of party rectification should be put on straightening out the new unhealthy tendencies, strengthening party spirit and enhancing discipline. These problems must be firmly grasped and appropriately handled. The people's governments at all levels, leading cadres in particular, should profoundly understand the spirit of the instructions and documents of the CPC Central Committee and the State Council on curbing unhealthy tendencies and take the lead in earnestly examining and correcting their own problems first. Resolute measures must be taken to check the practices of refusing to enforce orders and prohibitions. It is necessary to

draw a clear line of demarcation in applying the policies. As regards the mistakes made in the course of reform due to lack of experience and a clear line of demarcation, measures must be taken to conduct education, draw lessons, deepen understanding, and rectify such mistakes. Those who take advantage of the reform to practice unhealthy tendencies, thus causing grave consequences, and those who make mistakes in the course of rectification, must be thoroughly investigated and severely punished according to party discipline and state laws. We must strengthen social order and severely punish economic and criminal offenders according to law. In order to protect the physical and mental health of the broad masses of people, the young people in particular, and maintain social order, it is necessary to resolutely implement the stipulation recently promulgated by the State Council on prohibiting pornographic goods and to strictly ban all kinds of pornographic video tapes, cassettes, films, periodicals and tabloids. Those who smuggle or peddle pornographic goods will be given a disciplinary sanction or be punished according to law according to the seriousness of their cases.

[HK231517] Fine workstyles and working methods are extremely important for insuring the smooth progress of the building of material and spiritual civilization. The governments at all levels and their subordinate departments should pay close attention to the building of their thinking and workstyle, with the stress on the following: First, foster the idea of being a good servant of the people, carry forward the fine tradition of plain living and hard struggle and building up the country with industry and thrift, be honest in performing official duties, be diligent and conscientious in serving the people and the grassroots levels, and properly exercise the functions and powers vested by the people; second, continue to eliminate the "left" deviation, complacency, and outmoded ideas, be sober-minded under the favorable situation, make efforts to forge ahead, actively plunge into reform, and support new ideas; third, guard against and overcome bureaucratism, free themselves from routine matters, lay stress on major issues and focal points, go deep into the realities of life, immerse themselves among the masses, be concerned about the weal and woe of the people, listen attentively to the voice of the masses, and earnestly solve the new problems of reform and construction and the pressing matters concerning the life of the masses; fourth, strictly abide by discipline and law, frequently examine their work, and take measures to correct the mistakes and shortcomings immediately when they are discovered; and fifth, pay attention to science, respect knowledge and talented people, enhance their sense of responsibility, perfect the responsibility system, improve work methods and lay stress on efficiency. In a word, we must strive to effect a great change in our workstyle and methods so as to suit the needs of the new situation.

Fellow delegates,

Under the favorable current situation, the tasks of reform and construction are extremely arduous. So long as we unwaveringly follow the unified plan of the CPC Central Committee, be careful in the first battle, vigorously carry out reform, persist in simultaneously carrying out the building of material and spiritual civilization, and create a fine social environment for reform,

our reform will eventually be a success, our economy will be full of vitality, and we will be able to develop the favorable situation and win greater victories in the building of the four modernizations.

I now submit this report to the present session for discussion and approval.

CSO: 4006/653

PROVINCIAL AFFAIRS

TEXT OF SHAANXI GOVERNMENT WORK REPORT

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["Be Steadfast and Reliable in Making Reform of the Economic Structure a Success and Strive for New Victories in Economic Construction--Government Work Report Delivered by Governor Li Qingwei of Shaanxi Province on 24 April 1985 at the Third Session of the Sixth Provincial People's Congress"]

[Text] Fellow deputies,

On behalf of the Shaanxi Provincial People's Government, I herewith submit a government work report to the Third Session of the Sixth Shaanxi Provincial People's Congress for examination and approval.

I. There Has Been New Progress, Further Development and New Breakthroughs in the National Economy

Under the leadership of the Shaanxi Provincial CPC Committee, in 1984, the people's governments at all levels, all cadres and the people of our province conscientiously implemented the principle of enlivening the domestic economy and opening to the outside world, actively carried out reform of the economic structure and worked hard for economic construction. As a result, there has been new progress, further development and new breakthroughs in our national economy.

Now I am pleased to tell all of you that our province has overfulfilled all targets set for 1984 economic development by the Second Session of the Sixth Provincial People's Congress. In 1984 the total social output value reached 27,108,000,000 yuan, an increase of 13.4 percent over the previous year. National income went up to more than 12.08 billion yuan, and the growth rate for this reached 17.4 percent, while the planned figure was 5.4 percent. The gross value of industrial and agricultural output shot up to more than 22.43 billion yuan, 2 billion yuan more than the planned figure, and the growth rate for this went up to 14.5 percent, compared to the planned figure of 4.8 percent, fulfilling the target set by the Sixth 5-Year Plan 1 year ahead of schedule.

The total output value of agriculture came to 8,295,000,000 yuan, and the growth rate for this reached 19.9 percent, compared to the planned figure of

4 percent. Grain output was more than 20.47 billion jin, compared to the planned figure of 20 billion jin, an increase of 6.1 percent over the previous year. Thus, our province was once again more than self-sufficient in grain in 1984.

The total industrial output value jumped up to more than 14.14 billion yuan; actually, it reached more than 14.48 billion yuan if calculated according to the prices during 1980. Its actual growth rate was 11.9 percent, compared to the planned figure of 5 to 7 percent.

Total inland revenue reached 1,505,600,000 yuan, balancing the fiscal year budget by 103.45 percent, an increase of 8.79 percent over the previous year. With the income submitted to the higher authorities by the Western Electric Company and other units, total revenue actually came to more than 1.6 billion yuan.

1. The structure of production in the countryside has begun to change, the commodity economy has developed at a fairly quick pace, and agriculture has reaped sustained overall bumper harvests.

Although crops on 21 million mu of land endured floods, hailstorms and other natural calamities in 1984, it was another year of bumper harvests as in 1983. Apart from the central Shaanxi plain, the output of crops increased in the south and north of the province. In addition, new successes were scored in forestry, animal husbandry, sideline production, fishery and town enterprises.

In the spirit of the Central Committee Document No 1 of 1984, we further improved the system of contracted household responsibility in the countryside and extended the system to production of animal husbandry and fishery. We expanded the contract area of barren hills and slopes as well as their contract periods. The province has now contracted more than 4,500 mu of hill-sides to the peasants for planting trees and grass as a result of consolidating and developing the "two households and one association." The province now has more than 271,000 specialized households of various types, more than 1,800 specialized villages, and more than 100,300 new economic associations of various descriptions. The commodity rate of farm products reached 40 percent in 1984.

[HK291516] The province has accelerated the readjustment of the structure of agricultural production and vigorously promoted diversification with the expansion of the acreage sown to industrial crops. The output of oil-bearing crops in 1984 came to 3.86 million dan, an increase of 17.1 percent over the previous year. The output of peanuts rose by 130 percent, of cured tobacco by about 100 percent, and of tea by 18.6 percent. This was an all-time high in all these fields. Good harvests have also been seen in cotton production. In addition, successes have been scored in animal husbandry. Production of pork, beef, mutton, eggs and milk all surpassed targeted levels. The output of beef rose by 43.5 percent and of aquatic products by 33 percent. The rural economy of our province is gradually moving toward specialization and large-scale commodity production.

Town enterprises have developed rapidly. Last year we developed town enterprises as a strategic measure to invigorate Shaanxi's economy. To this end we held meetings of administrative commissioners and county magistrates, mapped out development plans, relaxed policies, organized departments and bureaus to be responsible for some specific counties and mobilized research units, universities and colleges to give technical aid. The total income of all town enterprises in the province went up to 2.51 billion yuan in 1984, and the total income of such enterprises at the township and village levels increased by 49.4 percent over the previous year. The income of township enterprises in 15 counties (districts) exceeded 50 million yuan; furthermore, the income of township enterprises in the four counties (districts) of Huxian, Baoji, Qishan and Weiyang also exceeded 100 million yuan by following the example of the Changan County.

The year 1984 was one of planting grass and trees in our province. The afforested area in the province reached 7.64 million mu, an increase of 11.7 percent over the previous year, while the grass area planted was 2.37 million mu, overfulfilling the annual plan by 18.5 percent. Through the activities of planting trees and grass, the prefectures of Yulin and Yanana harnessed a certain number of small rivers and even built bases on some barren land.

2. There is increased production of high-quality and salable goods, a quickened pace of technical transformation, and both a high growth rate and better economic results are being achieved in industrial production.

In 1984, industrial production in our province grew tremendously and much better economic results were achieved. The gross output value of industrial enterprises owned by the whole people rose by 10.7 percent over the previous year, and those owned by collectives rose by 16.9 percent. The total output value of heavy industry jumped by 16.4 percent over the previous year, and of light industry, by 6.9 percent. The output of 32 of the 61 major products listed in the Sixth 5-Year Plan had met targets 1 year ahead of schedule.

There has been accelerated reform of the industrial structure by delegating powers and relaxing policies. After promulgating "10 regulations" on extending the decisionmaking power of enterprises in 1984, the provincial CPC committee and the provincial government selected 20 enterprises as experimental units in which the system whereby a director assumes full responsibility was instituted, establishing various forms of the economic system of contracted responsibility in enterprises. Reform has boosted the enthusiasm of workers and staff members and tapped the potential of and added vitality to enterprises, and many enterprises have started promoting marketing instead of merely engaging in production.

There has been a big increase in production of readily marketable, high-quality and name-brand goods. Compared with 1983, the 1984 output of color television sets rose by 5.2 percent; of chemical fibers by 2.9 percent; of cars by 82.4 percent; of colored television tubes and tires by over 60 percent each; and of Xifeng-brand wine, Golden Monkey-brand cigarettes, beer, washing machines, radios, plate glass and four-wheeled small tractors, by 30 to 50 percent.

[HK291517] We have carried out technological transformation at a faster pace. Last year our province's investment in technological transformation for existing local enterprises amounted to more than 510 million yuan. The province imported technology and equipment for 198 projects, with a total of \$93 million or more, more than the combined total of the previous 5 years. Through technological transformation, many industrial goods are now of higher quality, with better designs and greater variety. Some 1,275 new items have been successfully trial-produced, filling gaps in 30 items in our country. In regard to new technology, our province put into wide use the tested results of 230 key scientific and technological research projects, and 290 kinds of goods were appraised as being of good quality by the provincial and central ministries. Of this, three items, including Xifeng-brand wine and Caihong-brand color television tubes won state gold medals. Another 16 items and projects were awarded the state silver medals. This was the first time in recent years that our province has won so many prizes.

Marked results have been achieved in enterprise consolidation. Last year 5,997 enterprises which had been consolidated were checked and accepted by the province; this accounted for 95 percent of the total number of enterprises which had been consolidated. Through consolidation, the quality of enterprises has been greatly raised. To the fore have come 36 "six-good enterprises," including the Northwest No 1 state cotton mill, the Xian gourmet powder factory, the Xian food and drink machinery plant, the Baoji 1 May paper mill, the Hanzhong shoe factory, the Weinan power supply bureau, and the Xian Jiefanglu dumpling restaurant. The per capita gross output value of enterprises owned by the whole people for the first time exceeded 10,000 yuan, recording an all-time high in this field. Significant successes have been scored in making up deficits and increasing surpluses. The proportion of enterprises incurring losses in the total number of enterprises was reduced to 10.7 percent from the 14.7 percent of the previous year. The amount of losses incurred in the local state-owned enterprises was reduced by more than 24 million yuan, a decrease of 41.9 percent as compared to the previous year.

Gratifying progress has been made in turning military production into production for daily consumer goods. The output value of daily consumer goods manufactured by the military industry constituted 24 percent of the total output value, an increase of 38.5 percent over the previous year. Meanwhile, 385 items of military technology were shifted to civilian use, and the province's military industrial enterprises set up more than 10 associations with civil industrial enterprises and established scores of subsidiary companies engaged in both trading and absorbing technology in the special economic zones and coastal cities, thus beginning an improvement in the closed situation in the military industry.

Meanwhile, the departments of communications, posts and telecommunications and geology and mineral resources have also fulfilled their tasks and achieved new successes.

3. Fresh progress has been made in capital construction and initial results have been achieved in the building industry.

In 1984, a total investment of more than 1.86 billion yuan was made in the capital construction owned by the whole people, a jump of 12.7 percent over the previous year. Some 1,203 projects were put into operation in the year, with the major projects including the provincial gymnasium with a seating capacity of 80,000, the Shaanxi radio and television equipment factory with an annual output of 200,000 television sets, the Shaanxi No 10 cotton mill with a production line of an annual output of 1,000 ton terylene fiber, 2 power transmission lines with a distance of 384 kilometers, the second phase project of the Jinduicheng molybdenum company, the Xian fruit cold storage project with a storage capacity of 7,700 tons, the Xiang-Yu electric railway, and the Donglei pumping project along the Huang He which can cover an irrigated area of 160,000 mu. All these projects completed last year are playing an important role in the continued growth of production and strengthening the weak links in the national economy.

[HK291518] Reform of the building industry has been accelerated. Last year various forms of the responsibility system were instituted in the building industry. They included the system of public bidding, the system of investment responsibility, the system of fixing the amount of wages for every 100 yuan worth of finished work, the system of replacing financial appropriations with bank loans for all budgeted investments, and the system of allowing the peasants' building teams to take part in public bidding for contract projects in the cities and outside the province. The institution of these systems helped to improve economic results and raise the quality of projects. The per capita gross output value of building enterprises owned by the whole people increased by 26.9 percent as compared to the previous year. The amount of investment in projects which were contracted through public bidding was 7 to 8 percent less than that estimated in the budget, and the construction cycle for these was shortened by 25 to 33 percent.

4. After the closed-door policy was abandoned, a new situation was created in opening to the outside world.

With the implementation of the policy of opening to other provinces and to the outside world, progress was made last year in foreign economic relations and foreign trade and in the work of using foreign funds and absorbing advanced technology. After making full preparations, we sponsored our first international symposium on economic and technological cooperation, which had an attendance of more than 900 businessmen from 25 countries and regions. We signed 140 contracts amounting to over \$400 million and another 35 amounting to nearly \$80 million after the symposium. These contracts involved the building of 10 grand guesthouses, which will be able to receive more than 1 million visitors every year after they are completed around the end of 1987. The symposium helped to expand the province's economic and technological cooperation and trade with foreign countries. What is more important is that it has helped us to emancipate our minds, break with the closed situation, get to know a number of friends, make Shaanxi known to the outside world, temper the ranks of our cadres, and break a new path in opening to the outside world.

In strengthening economic ties with other provinces and within the province, we established economic cooperation with more than 20 provinces and cities, involving a total sum of 200 million yuan, nearly 6 times as much as in 1983.

The purchasing plans for foreign trade were overfulfilled in 1984. The total volume of exports reached 250 million yuan, a 78.1 percent increase over the previous year. The actual growth rate was 53.5 percent due to the readjustments of prices and foreign exchange rates.

Tourism has further developed. In 1984 the province received more than 2 million visitors, both Chinese and foreign. Of this number, there were 150,000 foreigners, overseas Chinese, and compatriots from Hong Kong, Macao and Taiwan, a 22.4 percent increase over the previous year. Meanwhile, earnings from foreign exchange from tourism rose by 22.4 percent over 1983.

5. By exploring new sources of revenue and economizing on expenditure, the province's revenue has increased considerably.

In 1984, the province's revenue increased by more than 121 million yuan over the previous year. This was another year which saw a big increase, following a check of the trend of continuous decrease in 1983. Meanwhile, financial expenses also increased rationally for the purpose of supporting the development of economic construction and other undertakings.

Last year we devoted great efforts to increasing revenue as a strategic step in our province's economic development. First, efforts were made to increase production and explore new sources of revenue. We mainly increased the output of cigarettes, liquor and such average and high-quality goods as colored television sets, sewing machines and washing machines. Second, efforts were made to make up deficits and increase surpluses. Third, we exercised rigid control over taxation and started the second phase of the substitution of tax payment for profit delivery by enterprises. The province's tax fund increased by a big margin last year. The industrial and commercial tax alone accounted for 82.2 percent of the total revenue. Fourth, efforts were made to strengthen financial discipline, carry out general examination of financial work and improve auditing work. Last year, financial departments at various levels discovered 41.35 million yuan of funds which were illegally raised or appropriated, while auditing departments discovered a total sum of more than 36 million yuan.

Over the past year, the provincial people's bank and specialized banks have played an important role in supporting economic construction, developing commodity production, collecting funds and expanding banking services.

[HK291519] 6. Major successes have been scored in science and technology and there have been vigorous advances in education.

In order to strengthen leadership over scientific and technological work, last year we issued even important documents in regard to decisions we made in this area and held a provincial meeting to promote science and technology. In 24 scientific research offices at the prefectural and city levels, we

households engaged in commerce, restaurant work, repairing and other service trades. Fourth, the management system of supply and marketing cooperatives has been restructured and breakthroughs have been made in many fields such as shareholding by the peasants, labor distribution, food prices, democratic election of cadres, recruiting of contracted workers and expansion of the scale of service and operation. Fifth, efforts were made to develop trade centers and country fair trade. The province now has 74 trade centers and more than 1,500 country fair trade spots, and it sponsored more than 800 meetings to stimulate the flow of goods and materials between city and country.

[HK291520] With the growth in production, the standard of living of the urban and rural people has further improved. According to a sample survey, the annual per capita outlay of workers for personal living expenses reached 515.5 yuan, a rise of 13.8 percent over 1983. Allowing for price increases in living expenses, there was a growth of 10.1 percent. The per-capita net income of the peasants reached 262.5 yuan, an increase of 11.2 percent over 1983; the growth rate was above average for the country. Meanwhile, 118,000 new jobs were created for urban residents through various channels. Housing conditions for urban and rural residents continued to improve. Some 3.56 million square meters of new residential housing space was completed in cities last year by units run by the whole people, enterprises run by collectives and individuals. Bank savings in the urban and rural areas continued to rise and increased by 30.6 percent over 1983.

Fresh progress has been made on such fronts as culture, sports, public health, the press, publishing, broadcasting, television, civil administration, public security, administration of justice, nationalities, religion and overseas Chinese affairs, thus giving an impetus to the building of socialist spiritual and material civilization. The PLA units stationed in Shaanxi have also taken an active part in local economic construction.

Fellow deputies,

Generally speaking, the economic situation in our province in 1984 was very good. Compared with what the party Central Committee expects of us, we still have a long way to go and there are still some problems. In 1984 we failed to pay adequate attention to the study of the macroeconomic structure. We have had some tentative ideas in this regard, but they are not well defined. The commodity economy in our province is still less developed and the major economic targets remain about average in the country. Our minds have not been completely emancipated, and "leftist" influences, conservative ideas, and the closed situation in our province have not been thoroughly brought to an end. Our financial resources are limited and our ability falls short of our wishes. Many problems calling for immediate solution have not been resolved and our finances are still in a passive state. The people's basic needs in regard to food and clothing have not been satisfactorily met in some remote mountain areas. The quality of some leading bodies is fairly low, and they cannot meet the needs of the four modernizations. Malpractices were on the rise some time ago, which somewhat interfered with economic restructuring and economic construction. Cadres of some government departments

are still soiled by the maladies of bureaucratism and giving commands and their workstyle is not solid enough. Many decisions cannot be resolutely and promptly carried out and endless haggling, shifts of responsibility and low work efficiency can still be seen in some government departments. In the new year, our governments at various levels should be further revolutionized and work harder so as to consolidate and further develop the excellent situation in our province. It is hoped that fellow deputies will not hesitate to give to our work all the criticism, supervision and suggestions they can.

## II. Aim High, Work Hard and Keep Forging Ahead So as To Strive for New Victories in Economic Construction

The year 1985 is the last of the Sixth 5-Year Plan. The accomplishment of the 1985 tasks is of great significance for overall overfulfillment of the Sixth 5-Year Plan and successful implementation of the Seventh 5-Year Plan. In the spirit of the third session of the sixth NPC, we must make further efforts to wipe out "leftist" ideas, break with outmoded customs, and emancipate our minds. Adhering to the principle of invigorating the domestic economy and opening to the outside world, we must be steadfast and reliable in reforming the economic structure and strive for new victories in the national economy while achieving still greater economic results.

[HK291521] 1. Accelerate the readjustment of the production structure in the rural areas and give rein to rural commodity production.

In the implementation of Document No 1 (1985) of the CPC Central Committee, it is necessary to continue improving the system of contracted household responsibility in the countryside, to develop the cooperative economy in the rural areas, to carry out reform of the rural economic structure in depth, and to accelerate the adjustment of the production structure in the rural areas. With the overall implementation of the responsibility system of agricultural production over the past few years, the peasants have by and large attained sufficiency in food and clothing. Now we must solve the problem of making the peasants prosperous by readjusting the production structure in the rural areas.

It is necessary to continue accelerating the development of town enterprises. We must view this problem as the strategic key to quadrupling the province's economic output. In developing the rural economy, we must gradually develop town enterprises as its main component on the basis of agricultural production and adhere to the principle of relying on the enterprises which are jointly run by the peasants using raised funds and household enterprises as the main forces. Townships, villages, production teams, associated households and individuals must make concerted efforts. We must strengthen economic ties between town and country and encourage the rational flow of funds, technology and trained personnel. We must be bold enough in promoting the "talented, absorbing trained personnel, strengthening technological training and improving the quality of town enterprises. Departments and bureaus at the provincial level, universities and colleges and scientific research

institutes should make sure to render support to the units they have selected. In developing town enterprises, priority should be given to the farm and sideline produce processing industry with food and fodder as the focus, the building materials industry with building materials for civilian use as the focus, the small-scale mining industry with coal and nonferrous metals as the focus, small-scale commodity production with daily necessities as the focus, and the tertiary industry which services cities and towns. In developing town enterprises, we must rely on the masses and tap the potential of social funds, and banks at various levels should give financial support. With town enterprises developing, the construction of small cities and towns should be stepped up.

We should spare no effort to promote grain production. Last year the per capita share of grain throughout the province was nearly 700 jin, which was still a low rate. We must stay sober-minded and see that the quality and variety of grain at present can hardly meet the needs of developing the fodder and food industries. In terms of the quality of grain, there is more natural grain than refined. This cannot satisfy the needs of the urban and rural people. We must therefore stress grain production and regard it as a long-term strategic task. We must greatly raise the per-unit yield, maintain a steady increase in the gross grain output, increase varieties, and improve the quality of grain. Attention must be paid to the readjustment of the internal structure of planting. While stressing grain production, we must make full use of the province's natural advantages to plant such industrial crops as peanuts, cured tobacco, vegetables and fruits, and to develop medicinal herb planting and different kinds of forest and special products.

Great efforts must be made to plant grass and trees. This should be taken as a major step in changing the face of Shaanxi, maintaining an ecological balance, and developing agriculture and animal husbandry. In order to accelerate the development of forestry and put an end to the backwardness of the mountainous areas, the provincial government has decided that it will allocate 100 million jin of grain every year over the next 3 years as a measure to change farmland in a planned way for the development of forestry and animal husbandry. We must further relax policies in the mountainous and forest areas. We will lift restrictions over the bamboo and timber markets but we should strengthen control over these markets and take effective measures to forbid indiscriminate felling.

Adhering to the principle of linking agriculture with animal husbandry, we must give strong support to specialized households, associations of specialized households, and specialized villages to promote animal husbandry. Attention must be paid to the use and popularization of advanced technology in stock raising and the prevention of animal diseases. We must plant more grass for fodder on hillocks and hillsides and transform them into grazing grounds in a planned way. Meanwhile, efforts must be made to develop the fodder industry and to change more grain into meat, eggs and milk so as to satisfy people's daily needs.

[HK291522] 2. Promote technological transformation in existing enterprises to guarantee key construction projects.

The province now has over 10,000 industrial and transport enterprises. Carrying out technological transformation in these enterprises is a major strategic policy for invigorating the province's economy and stress must be placed on transforming, reconstructing and expanding existing enterprises.

In carrying out technological transformation in existing enterprises, we must have technological progress and improvement of economic results in mind. Proceeding from actual conditions in our province, we must focus on projects which call for small investments and short construction cycles and which yield fast results and better economic returns. We must stress technological transformation in the machine-building, textile, electronics, food and light industries as well as in production of such materials in short supply as iron, rolled steel, chemical fibers, caustic soda, soda ash and sulphuric acid, and must increase production of readily marketable goods on a large scale. We should encourage enterprises to develop, on a voluntary and mutually beneficial basis, various forms of associations with scientific research institutes, universities and colleges. Equal attention must be paid to both spreading the scientific and technological achievements made by our country and absorbing foreign advanced technology so that our enterprises can catch up with the advanced world technological level at an early date.

By giving full play to the advantages of our province's national defense industries in regard to equipment, technology and trained personnel, we must vigorously develop civilian products. The unity between the army and the people must be strengthened. The national defense industries must be geared to the civilian industries while the civilian industries should make proper use of military production technology so as to achieve substantial advances in civilian products. We must enormously encourage military production enterprises and civilian enterprises to strengthen cooperation in production and tackling key problems so as to develop a number of new and competitive products. In cooperation with civilian enterprises, the national defense industries of our province plan to develop 17 kinds of new products this year, such as freight trains, civilian aircraft and spinning machines, and 51 civilian products previously turned out by the national defense industries.

Capital construction must be satisfactorily completed. This is an important condition for increasing productive power and the sustained momentum of economic growth. We should guarantee major projects by concentrating a superior force to wage a battle to finish them, and complete all key construction projects on schedule. We must do a good job of completing the three national key construction projects--the Ankang hydropower station, project No 405, and the Baoji railway station. We must concentrate on the 12 provincial key construction projects such as the Shitouhe reservoir, the Xinchuan cement plant, the generator sets Nos 5 and 6 for the Qinling power plant, the Tongchuan molybdenum factory, and the fourth phase of construction of the Xian water supply project, and must strive to complete the 3 projects

of the Xian railway station, the Donghan railway, and a television transmitter tower within the year. Meanwhile, we must do a good job of completing the preliminary work for the 13 national key construction projects such as the Xianyang airport, the Xian-Ankang railway, the Hei He dam, the Pucheng power plant, the passageway for shipping out coal from the Shenmu mine and the north Shaanxi oil fields. In capital construction, attention must be paid to environmental protection.

Transport is a factor in the province's economic development. In enlivening the economy, we must stress the development of highways, railways and civil aviation. We must strengthen road building, do a good job in traffic control and improve thoroughfares, particularly main traffic routes and roads accessible to major scenic spots. We should also accelerate highway building in the mountainous areas in order to promote the mountain economy.

We must continue to reform the systems of capital construction and the building industry by centering on shortening the construction cycle, reducing costs and improving quality. We must strictly control the amount of investment, especially extra-budgetary investment, in fixed assets. We must not blindly make extra-budgetary investments. Heavy taxes will be levied on investments that exceed the prescribed norm.

[HK291523] 3. Streamline administration, institute decentralization, tap potential and invigorate enterprises.

Invigorating enterprises is the key to restructuring the national economy, and streamlining administration and instituting decentralization is the key to invigorating enterprises. In line with the principle of separating government and enterprise functions, departments at various levels which are in charge of enterprises should delegate to enterprises the powers which are due to them. They should not institute decentralization in the pen while retaking powers in secret, and should not retain powers which ought to be delegated to them. We should continue to improve various forms of the economic contracted responsibility system. Small state-owned enterprises may remain owned by the state but be run by the collective, or may be jointly run by many sides. These enterprises may also be run by collectives or by individuals under contracts or leases. Enterprises must be encouraged and supported to develop diversification and promote a variety of products while they are concentrating efforts on their major work. Breaking barriers between different regions and between different departments, enterprises must promote their "masterpieces" and develop horizontal economic links. Enterprises must foster a sense of marketing and competition, achieve technological progress and promote readily marketable goods which are geared to the countryside and the domestic and overseas markets. All enterprises must give priority to improving economic results, fully tap their potential, continuously improve management, reduce consumption of raw materials, cut down costs, increase varieties, raise the quality of products and increase revenue for the state.

We should help instill greater vitality into large and medium-sized enterprises. Large and medium-sized enterprises in our province make up merely 2.3 percent of the total number of enterprises, their output value accounts for 57.4 percent of the total output value, and the taxes and profits delivered by them account for 68.3 percent of the provincial revenue. To instill greater vitality into large and medium-sized enterprises is a very urgent task for us at present. To this end we must implement all regulations issued by the State Council and the provincial CPC committee and government in this regard. Regulatory taxes should be gradually reduced on the few large enterprises which are well operated and managed and contribute much to the state, but which retain too little profit for themselves. The proportion of their activities set by mandatory plans should also be reduced. With regard to administration, they should introduce various forms of the economic responsibility system suited to their individual circumstances and make smaller units the basis of cost accounting.

The central role of cities must be brought into full play and efforts must be made to establish various forms of multitiered and multichanneled horizontal economic ties. In this way, open and interconnected economic zones of various sizes will be gradually formed with support from Xian City, and with particular support from small and medium-sized cities such as Baoji, Xianyang, Tongchuan, Hanzhong, Weinan and Yanan.

#### 4. Develop the tertiary industry by taking tourism as a breakthrough point.

Shaanxi Province is richly endowed by nature for the development of tourism. With the province opening to other provinces and the outside world, tourism will certainly become an important pillar of the province's economy. We must vigorously develop tourism to bring along the tertiary industry so as to invigorate the province's economy.

In making tourism a success, it is necessary to work out practical development plans and improve and beautify the available scenic spots. Meanwhile, it is necessary to pay attention to protection of historical relics and open more historical relics and places of historical interest and scenic beauty to the public. Thus some attractive tourist districts and scenic spots with special features and different systems, including Xian, Lintong, Baoji, Yanan, Hanzhong and Huashan, as well as emperor's tombs and ancient temples, will be gradually established. In developing tourism, there are still plenty of things for us to do in regard to food, lodging, traffic, sightseeing, recreation and shopping. For this reason we must develop transport, posts and communications, giftware, sideline production, commerce, restaurants and other service trades. Stress should be placed on construction of the 10 grand guesthouses which are jointly invested in by foreign businessmen, the Xianyang airport and the Xian Anyuan highway so that foreign visitors will be able to fully enjoy their stay in our province.

[HK291524] Governments at various levels should take the development of tourism and the tertiary industry as an important item on their work agenda. They should boost the enthusiasm of all the departments concerned--the state, the local authorities, state-run units, the collective and individuals, and

they should depend on both self-raised funds and foreign funds. While attracting foreign visitors, we should also pay attention to services for domestic visitors.

5. Adhere to the principle of opening to both other provinces and the outside world, and make further efforts to develop economic relations with foreign countries.

In accelerating the province's economic development, we must make full use of domestic and foreign funds, open up both domestic and foreign markets, learn how to carry out economic construction and develop economic relations with foreign countries, and make efforts to absorb advanced technology, equipment, funds and personnel from abroad. This year, our work in this regard should be focused on the acceleration of technological transformation, the exploitation of our province's natural resources, the absorption of foreign funds and the import of some advanced and modern technology and equipment. It is necessary to strengthen control over those projects with regard to the import of technology and foreign investment, do a good job of technological transformation and planning the introduction of technology, and introduce more projects that can earn more foreign exchange. It is necessary to properly organize the province's export commodities trade fair and trade talks to be held in Hong Kong in August this year, press on with our publicity drive in the economic field abroad, and expand economic and technological cooperation and exchange with foreign countries.

It is necessary to promote foreign trade. All localities and departments in our province must bravely present more industrial, agricultural and sideline products of the province to the international market. It is necessary to strive to fulfill the export produce procurement plan and to expand export trade. It is necessary to strengthen centralized leadership and uphold the principle of acting in unison in regard to foreign affairs, subordinating the domestic market to the international market, and striving to earn more foreign exchange for the state.

While extensively promoting international economic and technological cooperation, we must also open our door to other provinces, vigorously promoting horizontal exchanges and cooperation between different provinces in the fields of economy, technology, funds, recruitment and training of qualified personnel and information.

[HK291525] 6. Extensively tap financial resources and strive by every means to overfulfill the financial revenue quota.

Although our province's financial revenue has increased in the past 2 years, we are still in a financially difficult period. Based on a preliminary plan, we are to try to put an end to the difficult financial situation in our province through an arduous struggle over 3-4 years.

Supporting production, extensively tapping financial resources, and increasing revenue are the main guidelines for financial work. In order to increase financial revenue, we must first vigorously promote light industry

and particularly raise the production of those key products which are in great demand in the market and provide higher tax receipts. Second, it is necessary to devote efforts to helping key enterprises raise both production and revenue. Third, it is necessary to pay attention to those counties receiving financial subsidies step by step. Fourth, it is necessary to strengthen supervision over financial work, banks and auditing work; strictly ban various forms of tax evasion; and insure the receipt of all payments from taxable items. It is necessary to prevent any illegal retention or appropriation of part of financial revenue in violation of discipline. Fifth, it is necessary to strengthen administration over taxation work so as to thoroughly ban tax evasion. We must not only pay attention to taxation of state-owned enterprises, but also to levying petty taxes on collective enterprises in town and country, traders at country fairs and individual industrial and commercial households.

It is necessary to further carry out the reform of the financial and taxation system. The new financial system of "classifying categories of taxes, auditing revenue and expenditure, and contracting for tax payments at every level" is to be carried out in an all-round way this year. Special funds are to be raised among units at lower levels by assigning quotas to them just once at the beginning of every year instead of sporadically assigning quotas several times a year. Enterprise management methods are to be applied to the operation of nonproductive service units and the system of financial self-support or that of a fixed amount of subsidies is to be implemented among these units. Administrative units will implement the system of "fixed staff size, fixed total amount of salaries and wages, and contracting on a fixed annual budget subject to an annual increase." This system will be maintained for 5 years once it is adopted.

In allocating this year's financial budget, we must first insure the smooth implementation of the reform of the salary and wage system and the pricing system. As for other projects, we have to run them in light of the resources available. It is necessary to make great efforts to reduce "fees calculated on a per-capita basis" [ren tou fei 0086 7333 6316], "conference expenses" and all other expenses for nonproductive purposes. All state organizations and nonproductive service units must resolutely stop expanding the size of their staffs, stop setting up new departments, and stop upgrading their existing subordinate organizations. Administrative expenditure at all levels must be cut by 10 percent this year. It is necessary to make great efforts to keep the purchasing power of social groups at a lower level. All areas and departments are required to reduce their expenditure by 20 percent compared with last year. No enterprises, nonproductive service units, government organizations, mass organizations and schools are allowed to vie with the masses in purchasing commodities in short supply. All of them must stop buying color television sets, refrigerators, washing machines, recorders, motorcycles, woolen blankets, cameras and other high-grade durable consumer goods except in the case of real need in work and subject to special approval. Financial expenditure items are subject to centralized approval by responsible authorities so as to prevent arbitrary diversification of financial administrative power and wanton spending. We must carry forward the fine spirit of building up the country through thrift and hard work, advocate the principle

of achieving more things with less money, practice a thrifty economy and resolutely oppose extravagance and waste.

7. Actively develop science and technology and education so as to continuously enhance the people's educational standards.

We must conscientiously implement the "The Decision of the CPC Committee on Reform of the Scientific and Technological Research System," make greater efforts to bring the initiative of scientific and technological personnel into full play and mobilize them to throw themselves into the four modernizations so as to apply scientific and technological knowledge to economic construction as soon as possible. Development of science and technology must keep pace with economic construction and be geared to the needs of large- and medium-sized enterprises as well as small and town- and township-run enterprises. We must actively expand the science and technology market and speed up the process of the commercialization of scientific and technological knowledge. An agricultural science and technology market with Yangling as its center and an industrial science and technology market with Xian as its center are to be set up this year. Different areas must establish their scientific and technological and qualified personnel development and exchange centers as well as scientific and technological information exchange centers based on their local conditions. Scientific research units are encouraged to form various types of economic combinations with enterprises and design units based on the principle of voluntary participation and mutual benefit. It is necessary to introduce a reform of the appropriation fund system for scientific and technological research units and practice appropriate control of funds according to the special characteristics of different types of scientific and technological research.

[HK291526] Development of intellectual resources is a strategic task which must be conscientiously carried out. All secondary and primary schools throughout the province must stabilize and replenish the contingent of teachers this year while carrying out the reform of the education system. They must unremittingly upgrade the quality of education, and strive by every means to make primary education universal in the areas which comprise 80 percent of the province's population. It is necessary to readjust the educational structure and vigorously develop various types of vocational and technical schools. It is necessary to continue to encourage the establishment of schools with funds raised locally and it is necessary to make every effort to improve the conditions for running schools. As for higher education, it is necessary to reform the old practice of too extensive and overly rigid control by the state and the system of ownership of schools by departments, give full play to the potential of all existing schools and to increase their enrollment while improving teaching quality, thus fostering a great number of qualified personnel for the province. At the same time, we must continue to attach importance and devote our efforts to adult education. Educational expenditure must be increased every year following the improvement of financial condition.

To keep up with the development of the national economy and to meet the people's cultural needs, we must devote our efforts to further development of culture, physical culture, public health, publication and radio and television broadcasts. We must do a good job in birth control and keep the province's rate of natural population increase below 10 per 1,000 in 1985.

8. Make efforts to raise the production of consumer goods and insure supply to the markets in town and country.

As the income of the masses in town and country has increased, their purchasing power is growing quite rapidly and, consequently, the sales volume of commodities is constantly increasing. It is necessary to vigorously raise the production of consumer goods for daily use and further boost the market. Meeting the people's daily needs is an essential task before us.

Industrial departments must try their best to raise the production of marketable products that are in great demand in the market, name-brand quality products, and daily necessities. It is necessary to support the production of consumer goods badly needed by the market in accordance with the policy of "giving preferential treatment in six aspects." Commercial as well as supply and marketing departments must try their best to keep up stocks and insure supply to the market. It is necessary to speed up the withdrawal of currency from circulation. It is necessary to expand the commercial service network, improve service attitudes and upgrade service quality. The building materials industry must make efforts to raise the production of building materials so as to meet the peasants' demands. In order to enliven the rural economy, every county must open a small commodity market.

The central authorities have decided to abrogate the system of planned purchase of grains by the state this year and practice the system of procurement by contracts. This is a significant reform. However, there should be no slack in our work even though the control over grain procurement has been lifted. Procurement of grain by contract is a part of the command plan, an obligation of the peasants in the process of the four modernizations. The fulfillment of grain procurement contracts must be guaranteed.

Government at all levels must study the market regularly, keep abreast of the development trends in the market and promptly cope with any new circumstances and problems regarding market supply. The state-run commercial system must make full use of the existing commercial service network and facilities, as well as its favorable conditions in terms of capital, to play a leading role in the socialist market and actively get involved in market regulation and the stabilization of commodity prices. It is necessary to keep a reasonable stock of daily necessities. It is necessary to further carry out the reform of the commercial system, dredge circulation channels, enliven the urban and rural economy, and press on with the development of the commodity economy.

### III. Strengthening Leadership Over the Reform of the Economic Structure and Insuring the Smooth Development of Economic Construction

The reform of the economic structure is China's second revolution, a reform to uphold the socialist road and an important guarantee of socialist modernization. In recent years, in the course of the economic structural reform, our province has achieved great success in rural areas and has made a good start in the reform of the economic structure of cities. Practice has shown that the present excellent situation is a result of the reform and the open-door policy. Reform is the only path. Only through reform can we win new victories in economic construction.

[HK291527] This year is the first for us to implement the decision adopted by the 3d Plenary Session of the 12th CPC Central Committee. We must resolutely implement the principle of "firmly upholding the reform and cautiously fighting the first battle to insure success," seize opportunities and properly and methodically carry out the economic structural reform centering on cities. We must steadfastly stick to the target and direction of the reform. However, since the economic structural reform is an extremely complicated pioneering task, government at all levels must make proper arrangements, give painstaking guidance, and act cautiously with regard to the methods and measures of the reform so as to insure initial success.

It is necessary to take into consideration the reaction induced by the economic structural reform in the macroeconomic field. On the one hand, we must boldly blaze new trails and seize every opportunity; on the other hand, we must be careful in taking each step and do our best to avoid blunders. When considering a case or taking up a task, we must always bear in mind the capabilities of the state and society and the actual circumstances of our own areas and departments, and we must prevent precipitous acts. We must attach primary importance to the interests of the party, the people, and the state and we must definitely not ignore long-term interests and the interests of the whole for only immediate or partial concerns. All reforms must be introduced in the interests of the development of the productive forces. All reforms must be aimed at speeding up development, improving economic results, and making more contributions to the state, not at exhausting the state's financial resources and infringing upon consumer interests. In the future, all major reforms of overall importance must be subject to the control by the state's unified planning and no areas and departments are allowed to take actions on their own in this respect.

The reform of the pricing system and that of the salary and wage system are the two major aspects of this year's reform of the economic structure. We must carry out the reform strictly in accordance with the unified plans laid down by the state. At present, the prices of many commodities neither reflect their value nor the relations between supply and demand. Without introducing a reform we can hardly straighten out the economic relations, and the development of the commodity production will be seriously affected. Therefore, the reform of the pricing system is imperative. In this year's reform of the pricing system, we are to follow the principle of integrating relaxation and regulation and advancing in small steps. Our stress will be placed on

lifting the restrictions on the procurement price of live pigs and the selling price of pork, readjusting the procurement and selling prices of grain in rural areas, and appropriately raising the short distance railway freight.

In the reform of the pricing system, we must take real action to strengthen supervision and control over commodity prices and strictly forbid arbitrarily raising prices, extending price hikes to additional commodities and increasing the margin of price hikes in violation of state regulations. In particular, we must resolutely stop state-owned industrial and commercial enterprises from raising prices wantonly or in disguised form. Those who arbitrarily raise prices and resell commodities on the spot to seek staggering profits are liable to severe penalties. The increase in industrial enterprises' production costs due to increases in the prices of some raw materials must be made up by improving management and reducing production costs within the enterprises. In order to prevent a drastic fluctuation of commodity prices, we must also resolutely curb the practice of blindly raising consumption funds, and strictly prohibit all units and individuals from arbitrarily spending money, raising salaries and wages, and issuing bonuses, allowances and rewards in kind.

This year's reform of the salary and wage system is to focus on removing all the unreasonable aspects of the existing salary and wage system, gradually getting rid of the long-standing egalitarian practice of "eating from the same big pot" with regard to distribution and setting up a new and preliminary salary and wage system which can suit better the principle of distribution according to work. State organizations and nonproductive service units are to practice the system of salaries based on position, which closely links an individual's post, duties and work. The reform of salaries and wages in enterprises is to make the enterprises' total amount of salaries and wages float according to the economic results they have scored; in other words, to link their staff salaries, wages and bonuses with the enterprises' economic results as well as with the staff's contributions. Since our country's financial resources are limited, the current reform of the salary and wage system can only go so far as to straighten out the economic relations and bring the system onto the new track, but will not bring about a substantial increase in salaries and wages. In any case, in the wake of the development of production, the income of the vast number of cadres and staff members will increase steadily. In the course of the reform of salary and wage system, all areas, departments and units must strictly observe the state's regulations on the reform and are not allowed to wantonly do what they wish.

[HK291528] In order to insure the reform is carried out smoothly and to speed up economic construction in our province, government at all levels must conscientiously strengthen leadership.

It is first necessary to take real actions to shift our focal point for work onto economic construction.

Government at all levels must concentrate their attention on economic construction and all trades must plan their work with their focus on invigorating

Shaanxi Province's economy while subordinating their work to the general economic goals. An area or a department failing to boost its economy will have a low status and less importance. One of the criteria to judge whether a leader is competent or not is his performance in handling economic affairs. We must concentrate our attention on economic work.

It is necessary to correctly handle the relationship between development speed and economic results. It is necessary to uphold the principle of seeking truth from facts and advancing steadily. The practice of blindly putting undue emphasis on development speed must be resolutely avoided. However, we still have to strive hard to attain the speed that is possible by tapping internal potential and introducing technological transformation in enterprises. We must make sure that we will achieve that we can achieve, and should never slack off under the pretext that we are not encouraged to seek a high development speed.

We must give overall consideration to the economic situation as a whole and concentrate our efforts on the key problems in economic development in light of local conditions so as to push ahead economic development as a whole. It is necessary to further discuss and study our province's economic development strategy and draw up the Seventh 5-Year Plan.

In economic work, we must give full play to the role of the financial, banking, auditing, statistical, commodity price, taxation and industrial and commercial administrative departments as supervisory organs and economic levers.

We must mend our pace in reorganizing the leading bodies of the economic administrative departments and enterprises at all levels in accordance with the requirements of "four transformations" for cadres. We must value capable people, do our best to discover and employ them, and try by every means to create the conditions for the emergence of talented people.

Second, while building material civilization, we must work hard to enhance spiritual civilization.

The socialist four modernizations are intended to build both a high degree of material civilization and a high degree of spiritual civilization; otherwise, socialism with Chinese characteristics cannot be achieved. We must justly and forcefully encourage people to devote themselves to the socialist cause, to adhere to the communist ideals, and to uphold the four basic principles. It is necessary to carry out among the vast number of cadres and the masses education in the lofty ideals of communism and the spirit of wholeheartedly serving the people, to imbue them with the overall ideology, and teach them to strive hard, observe discipline, abide by the law and conscientiously resist the corrosive influence of capitalist, feudalist and other decadent ideologies. In short, it is necessary to imbue the people throughout the province with lofty ideals, maintain high moral standards among them, enhance their educational level and inculcate them with a high sense of discipline. Our cadres must carry forward the Yanan spirit, be the

first to bear hardships and the last to enjoy comforts and cultivate the lofty idea of "becoming rich after others." It is necessary to encourage people to take the road of "getting rich together." Areas and individuals that have become rich first should help backward areas and poor people to get rich as soon as possible. When carrying out educational drives, we must be concerned about the effects, make thorough surveys of what appeals to the masses, and adopt some lively forms that may interest them. We must foster a fine mood in society by publicizing typical cases, electing pacesetters and commending progressives.

Third, it is necessary to seek unity of thought, properly coordinate our actions, and resolutely overcome newly emerging unhealthy tendencies.

Several unhealthy tendencies have affected our province to varying degrees. The first unhealthy tendency is that some party and government organizations, as well as cadres in these organizations, have engaged in private business activities and ran private enterprises, abusing their power. Second its arbitrary distribution of money and rewards in kind under various pretexts. Third is the illegal resale of materials in short supply. The fourth tendency includes arbitrary commodity price hikes, issuance of lottery tickets, and boosting of sales volume by giving out prizes. The fifth includes the practices of giving banquets, presenting gifts, and offering and accepting bribes. The sixth is the practice of fraud and formalism. Seventh is the establishment of small-sized newspapers spreading degenerate ideas. Finally, there is the failure to carry out orders and abide by prohibitions. By and large, these unhealthy tendencies are minor phenomena in our course of development. Some of them have already been corrected, while others still exist. However, we should not ignore them. The existence and spread of these unhealthy tendencies may seriously hamper the reform at the economic structure.

[HK291529] We must draw a clear demarcation line between the new unhealthy tendencies and the reform. We must not only resolutely overcome all the new unhealthy tendencies, but must also steadfastly and properly carry out the reform of the economic structure. The reform is in the interests of the state and the people. Due to a lack of experience and noncomprehensive consideration, it is quite natural that there are some shortcomings in the course of the reform. Newly emerging unhealthy tendencies, however, are aimed at pursuit of the interests of an individual or a small group, and those who are involved in these unhealthy tendencies are taking advantage of the reform while flaunting the banner of reform. We must resolutely overcome the currently emerging unhealthy tendencies by economic, administrative and legal means in strict accordance with the rules laid down by the CPC Central Committee and the State Council and the requirements set by the provincial meeting of commissioners and county magistrates held in March this year. In overcoming the new unhealthy tendencies, we must first of all strengthen our sense of belonging to an organization and our sense of discipline, try our best to keep in line with the CPC Central Committee both in terms of understanding and practice, and make sure that all orders and prohibitions are strictly enforced. All those who have sought interests for their own units or small groups by unjust means must be duly penalized if their cases are

serious enough and their benefits derived therefrom be confiscated. We must definitely not support but take strong action against those who, in the name of reform, violate the law and discipline, seek personal interests and indulge in corruption. It is necessary to continue to deal severe blows at those who are involved in serious economic offenses and criminal activities. It is necessary to cope with the currently emerging unhealthy tendencies in light of the actual situation, opposing whatever is wrong, correcting whatever malpractices whenever they are discovered, preventing any precipitation and avoiding any practice of demanding uniformity.

Fourth, it is necessary to strengthen investigations and studies and bring about a change for the better in leadership style.

We are in a new period characterized by tremendous changes and we have to study and deal with many new circumstances and new problems. The knowledge, management techniques and professional ability that we have acquired can hardly meet the needs arising in the developing situation. The urgent tasks placed before our leading cadres at all levels are: First, to study, and second, to practice. It is necessary to study theories, science and management methods. It is necessary to go deep into the realities of life to conduct investigations and practice. Leading cadres in government at all levels must spend more than one-third of their time every year in grassroots units conducting surveys and studying in person and must submit each year one or two investigative reports based on facts and analyses and proposing practical measures. Our leading cadres at all levels must take charge of a coordination point each in the reform so as to discover, study and solve new problems promptly. All functional departments of the government at all levels must give full play to their roles. They must be brave in taking responsibility for all the affairs within their realm, and take the initiative in handling these affairs instead of shirking their duties. It is necessary to enhance the quality of our government functionaries, improve their efficiency and get rid of all such bureaucratic practices as an unclear definition of duties, disputes over trivial things, and so on. Leading administrative organizations at all levels must take real action to orient their work to the needs of production development, the grassroots units and enterprises.

We must maintain close links with the masses and be concerned for the masses' livelihood. The people's government, which is established to serve the people, must pay attention to the masses' demands, solicit opinions from them, and help them solve the problems that they are most concerned with and feel most urgent. We must take a cautious attitude when making decisions on every issue which is related to the broad masses' interests and can easily arouse the masses' concern. It is necessary to further implement the policy toward intellectuals; to set a deadline for reversing all unjust, false and wrong verdicts; to seriously handle the cases of a small number of cadres who have suppressed democracy, forced others to carry out their orders, retaliated upon those who disagreed with them, and adopted other disgusting workstyles; and to pay attention to coping with real difficulties with which the masses are faced, promptly doing what we can do or explaining to the masses in cases which cannot be handled right away. Leading comrades of government at all levels must pay great attention to the complaints which the masses lodge

by writing letters to the authorities or by calling on the government offices, and they must personally handle all major cases.

[HK291530] In the present excellent situation, we must keep our heads clear, take the initiative in soliciting opinions, discovering shortcomings, exposing contradictions, overcoming our weak points and constantly improving our work. Although our province has achieved enormous economic development in the past few years, our economic base is quite unsound and the development is imbalanced. The masses in some poor areas in southern and northern Shaanxi and the central Shaanxi Plain are leading a very difficult life. We must devote more attention to those poor mountainous areas, and help people there to develop production and improve their livelihood. Leading comrades of different areas must head efficient task forces to inspect remote mountainous areas and visit each village and each family, conscientiously carry out disaster relief through the promotion of production, and pay particular attention to the living conditions for those households enjoying five guarantees and for widowers, widows, orphans, the childless and the disabled. We must promote a practical work-style, uphold the principle of seeking truth from facts, and resolutely get rid of ostentation, extravagance, proneness to boasting and exaggeration, the practice of holding up unpleasant information and formalism.

It is necessary to devote great efforts to the current economic work. The situation in industrial production has been good in the first quarter of this year, there has been considerable growth in financial revenue over the same period of last year, the summer crops are coming along fine, and a bumper harvest is within sight. We must guard against being unrealistically optimistic, prevent carelessness and a slack mood, proceed in everything from reality, take the plan of the whole year into consideration, do a good job in a down-to-earth manner, try to simultaneously realize an improvement of economic results and a growth rate in industrial production, strive for a good agricultural harvest for the year, and especially do our best to insure a good harvest of summer crops.

Deputies, both the present political and economic situations in our province are excellent and the tasks placed before us are glorious and arduous. We are bound to live up to the high hopes the people of the province have placed on us. Under the leadership of the CPC Central Committee, the State Council and the Shaanxi Provincial CPC Committee, we will strive hard for the prosperity of the province, for success in the initial stage of the economic structural reform, and for new victories in the economic construction with the goal of invigorating Shaanxi Province!

CSO: 4006/653

ANHUI GOVERNOR SPEAKS ON RURAL ENTERPRISES

OW260701 Hefei ANHUI RIBAO in Chinese 25 Apr 85 p 1

[Speech by Governor Wang Yuzhao at provincial conference of representatives of advanced village and town enterprises on 20 April 1985: "The Strength of Villages and Town Enterprises Stems From Thousands of Households"--passages within slantlines published in boldface]

[Text] Comrades,

The provincial conference of representatives of advanced village and town enterprises is being held under the excellent circumstances whereby our economy is in a new situation of sustained, steady and coordinated development, and the second rural reform is advancing vigorously. The conference, by reviewing achievements, exchanging experiences, commending the advanced, and discussing and studying measures for further development, will push the village and town enterprises of our province to a higher level of development. Now I will give a few ideas on the situation in the development of village and town enterprises in the province in 1984, and on how to further promote development in 1985.

I. Persist in Reform, Advance by Leaps and Bounds

In 1984, by implementing Documents No 1 and No 4 of the CPC Central Committee, vast numbers of rural cadres and masses in the province further emancipated their mind; persisted in reform; took the development of village and town enterprises as a major strategic measure for restructuring rural production, fulfilling the quadrupling of the total agricultural output value, and making the people rich and the province prosperous; actively engaged in industrial and commercial activities; changed the long-term backward situation of village and town enterprises in the province; and achieved new progress by leaps and bounds. Last year, the total output value of village and town enterprises in the province reached more than 4.69 billion yuan (the estimated figure was 4.16 billion yuan), an increase of 1.4 times over the previous year; its proportion in the total output value of the industrial and agricultural production of the province increased from 0.56 percent in 1979 to 13.81 percent; the total income of the village and town enterprises was 4,372,800,000 yuan, with a per-capita income of 98.3 yuan if calculated with the total rural population of the province, an increase of 58.3 yuan over the previous year; the produced profits were 584.99 million yuan, an increase of 2.1 times over the previous year; and the tax payment returned to the state was 183.47 million

yuan, an increase of 95.2 percent over the previous year. By the end of last year, the total number of village and town enterprises in the province reached more than 422,800 and the total number of employees reached more than 2,368,700, with its proportion in the total rural labor force of the province increasing from 5.4 percent of the previous year to 12.6 percent.

Taking the development of village and town enterprises in the province into perspective, it has five outstanding characteristics:

/1) The rise in family-run enterprises and enterprises jointly run by several households brings into being a variety of regional economic establishments, thus breaking the uniform operation of village and town enterprises and gradually establishing a new, multilevel system of village and town enterprises of various forms with the enterprises helping each other and making common progress./ According to statistics, by the end of last year, there were more than 372,000 individual household enterprises, enterprises run by several households, and other types of cooperative enterprises in the province, accounting for 86.8 percent of the total number of village and town enterprises in the province; the output value was more than 1.44 billion yuan, accounting for 30.7 percent of the total output value of village and town enterprises in the province; and the growth rates of the number of individual household enterprises and enterprises jointly run by several households in the province, and of their output value were among the highest in the country. [OW260702] By persisting in the "three specializations" (specialized household, specialized village, specialized economic area) and "two plants" (family plant and joint household plant), Fuyang Prefecture has established over a dozen specialized production areas. Beginning with three peasant households engaged in plastic rope [si mo sheng 2322 5229 4939] processing in 1980, Pitiaosun village of Caimiao township in Taihe County has developed into a village specialized in plastic rope processing. Last year, breaking through village, township and county boundaries, the village industry outgrew itself into an entire area with a radius of 30-40 li which specializes in processing and marketing plastic rope. The area encompassed nearly 3,200 specialized households including those in Jieshou County with a total annual output of over 40 million yuan.

/2) By making full use of local resources and traditional artisanry, local resource potentials have been translated into commodity production./ Many people in Chaohu Prefecture bordering Chao Hu are skilled in the traditional art of fishnet weaving. Thus, the prefecture has widely developed a fishnet weaving industry. Its products are good and sell well. Last year's total sales topped 10 million yuan. Rich in sand, rocks and mineral resources and well developed in farming and animal breeding, Huaining County has vigorously developed building material, mining and farm and sideline products processing industries. Last year, the county's village and town enterprises' total output topped 140 million yuan, increasing 176 percent over the preceding year. The "Yulan crisp candy" industry of Xinhe village in Huaiyuan County has grown from only 1 to 622 households with a total annual output value reaching 3.85 million yuan. The garment industry of Gantongji in Lixin County of Fuyang Prefecture, Zhangchai's sieve handicrafts, Maji's horsetail hair processing in Taihe County, Wangchao's picture frame handicraft, willow

branch and straw weaving in Funan and Yingshang Counties, Jieshou County's dried beef and plastics industry, Fuyang County's building material industry, Mengcheng County's thick soysauce making, and Boxian County's Chinese medicinal herb processing have all flourished with their output value ranging from several million to several tens of million yuan. Each locality has its own particular flourishing industries.

/3) The tertiary industry springs up vigorously./ The peasants have broken through various conventions and have actively engaged in transportation, commerce and the service trades. They have thus changed the situation of stressing only production while neglecting circulation and the service trades, initiated an internal restructuring of the village and town enterprises, and gradually solved difficulties in circulation, procurement of raw and other materials and transportation and marketing of products. Last year, some 6.5 percent of the province's total rural labor force worked in tertiary industry enterprises. While paying attention to developing industrial production, Tongcheng County actively developed commercial, transportation, building industry and the service trades. Last year, the county had some 30,000 people working in the building industry, over 6,500 people engaged in transportation and another 10,000 sales agents who traveled across the nation procuring raw materials and finding markets for their products. The county's total village and town enterprise output in 1984 approached 150 million yuan, increasing 400 percent over 1978.

/4) The "three locals" convention was discarded, and a new policy of opening to the vast domestic market, expanding lateral economic contacts and actively introducing outside capital, equipment, technology and talent was implemented./ Last year, many localities and village and town enterprises of the province promoted exchanges, cooperation, or joint ventures with their counterparts in other provinces or counties or with other enterprises in their own localities. The province's village and town enterprises raised a total capital of over 210 million yuan from among themselves or from sources other than the enterprises themselves and recruited over 6,300 technical personnel of various kinds. In the extensive economic exchange activities both inside and outside the province, our traditional artisanry played a vital role, the scope of production and business activities was further expanded, and new projects of production emerged.

/5) The development of village and town enterprises was closely integrated with the construction of small cities and towns for mutual benefit./ Last year, after the conference on building small cities and towns held by the provincial CPC committee and the provincial government, the cities' gates began to open. Over 2 million of the province's peasants left their land and entered the cities and towns to engage in industry, commerce, or construction, thus bringing prosperity to the cities and towns. At the same time, the cities' productive forces began to disperse in the countryside giving an impetus to numerous village and town enterprises. In 1984, Hefei city adopted public bidding for the processing of parts for some 151 items. By cooperating with over 100 processing points of over 50 suburban village and town enterprises, 26 plants under the Hefei city Light Industrial Bureau

added over 15 million yuan to its total output value. Today, the vigorously developing village and town enterprises have brought about a breakthrough to our province's economic takeoff. They have become an important pillar of the rural economy and an indispensable part of the entire national economy.

[OW260703] How did Anhui's village and town enterprises achieve such an unprecedented growth in 1984? The basic factors lie in their persistent efforts to carry out reforms, remove regional barriers and enliven their operations. What did they specifically do?

/First, all leading departments rectified the guidelines for their economic work, assumed full responsibility for developing the rural economy, attached importance to the growth of village and town enterprises and supported their production on a selective basis./ After studying Documents No 1 and No 4 of the CPC Central Committee, all leading departments emancipated their minds; did away with narrowminded, traditional concepts of agricultural production; fostered the new concept that "the economy cannot be stabilized without agriculture, prosperity cannot be achieved without industry, and the economy cannot be enlivened without commerce"; and started to rejuvenate the economy, beginning with village and town enterprises. A lively situation soon appeared with secretaries and county magistrates starting to pay attention to agricultural production, village and town enterprises, commodity circulation, economic information, training technicians and adopting advanced technical know-how. To support commodity production in the rural areas and accelerate the growth of village and town enterprises, the provincial party committee, the provincial government and other provincial departments concerned promulgated over 30 documents to remove the barriers that obstructed the growth of these enterprises and relaxed policies. Facts show that the development of village and town enterprises was particularly fast wherever prompt action was taken to remove barriers and relax policies.

/Second, importance was attached to the market and the law of value, giving play to their roles and attention was paid to integrating production and circulation./ Owing to the influence of "leftist" ideas over a considerably long period in the past, we failed to properly understand the nature of socialist economy and pitted the planned economy against commodity production and the law of value. Consequently, the growth of the socialist commodity economy was seriously restricted. The reforms carried out after the 3d Plenary Session of the 11th CPC Central Committee, in particular the "Decision of Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee, enabled us to clearly understand that full development of the commodity economy is a stage a socialist society cannot skip, and that to regulate the movement of socialist economy, we must attach great attention to the law of value, learn how to apply such economic measures as credit, taxes and prices, increase international contacts, remove regional barriers and extensively promote lateral economic ties. Specifically, by promoting the socialist commodity economy, cadres and administrators of village and town enterprises at all levels and the peasants have changed their traditional concepts and displayed their capabilities in promoting commodity production, exchange, distribution and consumption on the vast socialist

market. This has given rise to the development of family-run enterprises and joint operations, the appearance of small economic zones and broad internal and external economic ties and the great vitality of the rural economy.

/Third, the habit of waiting for state assistance was changed, local resources and efforts were utilized, all types of village and town enterprises were developed, and a trail was blazed to develop village and town enterprises in undeveloped areas./ In the past, whenever the subject of developing the economy and rural enterprises was discussed, many comrades were quick to ask for state financial and material support, hoping to set up industrial enterprises like those in the cities. However, the greater the expectation, the less their enterprises could develop. From the actual experiences of establishing enterprises by relying on their own efforts, cadres and peasants in the rural areas later came to understand the role of village and town enterprises and the conditions and special characteristics of their development, and they found a new path in line with the law of development which called for fully utilizing local resources; tapping financial potentials among the masses; mobilizing the positive factors in all quarters; setting the "six wheels" in motion, namely, counties, districts, townships, villages, joint households and families; and promoting all types of joint operations, cooperative economies and individually run enterprises, placing special emphasis on family and joint household enterprises. Currently, the family and joint household enterprises have developed from just a few small ones to many large ones and have become a main force in the rural areas' commodity economy. Actual experiences show that regional development of specialized production operated by one or several families, which calls for further division of labor and higher technical requirements, can create more job opportunities, produce more commodities for society, bring in more economic returns and push the rural areas' commodity economy to a higher stage of development.

[OW260704] /Fourth, attach importance to developing an intellectual force, promote the large-scale shift of science, technology, qualified personnel and information to rural areas, in order to expand the development of village and town enterprises./ Our criterion for employing personnel is that we stress the liquidation of "leftists" and "old conventions," oppose the demand for perfection and shall employ only competent people; our criterion for selecting qualified personnel is that we shall stress industrialists rather than agriculturalists, persons who support an open-door, rather than a closed-door, policy, and persons who dare to blaze new trails rather than those who try to be on the safe side. After reforming the employment system, various areas have discovered and trained, a contingent of personnel who know technology, business operation and management, who are knowledgeable, and who are bold in creating a new situation. A refractory materials plant in Beiquan Village, Xiaoxian County; an agriculture-industry-commerce joint company in Dongwang Township, Quanjiao County; and the Kongji Beverage Plant in Shucheng County are enterprises which have been operating at a loss for a long time. These enterprises restored their vitality and succeeded in making profits in a very short time after they boldly employed competent personnel and improved their operations and management. An enterprise's growth or decline is closely

related to its ability to use information. After setting up a new products development research society, Yangcun Township in Tianchang County hired more than 10 information specialists to station in Beijing, Shanghai, Nanjing, Hefei and other areas. Keeping their eyes and ears open, these information specialists helped to promote the sale of Yangcun's products throughout the country. Some of its products are exported to Southeast Asian countries.

In the course of the rapid development of the village and town enterprises in our province, a large number of advanced units and model individuals have emerged. In 1983, county-level units whose village and town enterprises' output value exceeded 100 million yuan could only be found in the outskirts of Hefei. Last year, the number of such counties rapidly increased to 16. They were Huaining, Tongcheng, Huaiyuan, Suixi, Guoyang, Jieshou, Haoxian, Lixin, Mengcheng, Taihe, Fuyang, Tianchang, Dangtu and Feidong Counties, as well as the suburban areas of Hefei and Bengbu; 73 townships and villages, whose industrial output value surpassed 2 million yuan; 319 villages, whose output value exceeded 1 million yuan; 102 joint-household enterprises, whose output value surpassed 200,000 yuan; and 426 family enterprises, whose output value exceeded 50,000 yuan. The emergence of these advanced units has provided us with a valuable experience. Here, on behalf of the Anhui Provincial CPC Committee and the Provincial People's Government, I would like to warmly congratulate and sincerely thank all the representatives who are attending this meeting and, through you, warmly congratulate and sincerely thank the comrades of the advanced units.

Village and town enterprises in our province have been developing rapidly in the past year. Nevertheless, the better the situation, the more we should remain sober-minded. We should be aware that our original base figures are fairly low, that the level of production technology of our enterprises is also comparatively low, and that most of them are engaged in processing primary products; some enterprises have an unsound foundation and their production and operations are rather unstable; because development is uneven, some areas have not developed any enterprises; quite a number of localities lack sufficient experience in developing village and town enterprises, and, as their natural resources have not been fully exploited, there are few avenues for achieving prosperity. Therefore, we must remain modest and prudent, guard against conceit and impetuosity, work hard, pay attention to good results and advance, with firm steps, in trying to raise our economic efficiency.

## [OW260705] II. Make Solid Efforts, Develop With Steady Steps

Since the beginning of the year, the development of village and town enterprises in the province has increasingly gained momentum. Total output value for the first quarter reached 1.3 billion yuan, an increase of 1.8 times compared with the same period last year. If this trend continues, it is entirely possible to attain the goal set by the provincial party committee and government, that is, to double the output value of village and town enterprises on the basis of raising economic efficiency. In order to build a reliable foundation to attain this goal, we must pay special attention to the following points:

/1) With the development of family and joint household enterprises as a focal point, actively develop specialized production communities and small economic districts./ At the provincial on-the-spot meeting on village and town enterprises held last October, we stated that the development of village and town enterprises would require the involvement of collectives and individuals and of the "six wheels" (counties, districts, townships, villages, joint households and families), with family and joint household enterprises as the major elements. Half a year's experience tells us that among the "six wheels," the family, joint household and village enterprises are the most important and can serve as the foundation for revitalizing village and town enterprises in a shorter period of time.

Why is it that the family, joint household and village enterprises should become the focal points in the development of village and town enterprises? /First, the economic situation of our province dictates so./ State investment in capital construction goes mainly to key projects. Hence, credit control is tight and there cannot be many funds for use in developing village and town enterprises. Because of limited reserve funds, our province, prefectures and counties are unable to allocate much money for building these enterprises. Under the circumstances, the most feasible way is to look to the masses, our vastest resource and let the village and town enterprises strike roots in their midst. After the widespread implementation of the system of contracted household responsibility with remuneration linked to output and a series of correct rural economic policies, some peasants, relying on their daring spirit, intelligence and talents, have rapidly prospered and accumulated surplus capital and labor. Their strong desire to continue prospering motivates them to divert capital and labor from traditional, unitary agricultural activities to other lines of production such as industry, commerce, construction, mining and transportation, thereby giving birth to family and joint household enterprises. From the beginning, commodity production has been one form of socialized production and, by its nature, requires both division of labor and integration. In this way, one household or one enterprise may become the rallying point and spur other households, entire villages, or even peasant households in larger areas to gradually develop into "specialized communities." The example provided by a few peasants who prospered through hard work has an irresistible appeal for neighboring people. As a result, each may demonstrate his or her skills and engage in various forms of specialized production, subsequently forming into regional economic communities. /Second, the current levels of development of productive forces and management are also deciding factors./ Our village and town enterprises are either government-run or privately run. In the past, a considerable number of "government-run" enterprises not only were mismanaged and chaotically operated, but also had outdated technologies, resulting in economic inefficiency and the loss of people's faith in them. On the other hand, family and joint household enterprises have entrepreneur peasants as relatively independent commodity producers with sufficient autonomy and decision-making powers. They can build an enterprise by simply making use of a particular raw material, a special skill, a piece of information, or an able person. There is no need for huge capital or spacious factories. At the outset, the techniques in general are not complicated and the various elements for

production can be put together rapidly. More importantly, there is direct interest involved; hence, there are also a greater sense of responsibility and strong business initiative. In addition, there are fewer personnel and expenditures, higher economic efficiency, and faster accumulation of capital. /Third, this is the natural trend of development of commodity production in rural areas./ The pattern of consumption of certain products by society is manifested in the level of its market demands, which must be met by the production sector. Communal enterprises that grow primarily out of families and joint households may integrate with one another on a voluntary and mutually beneficial basis in small areas. Such enterprises may subsequently develop larger batch processes, which may cut down on overhead expenses, reduce production costs, raise efficiency, make up for the disadvantages encountered by individual- and workshop-type businesses in natural resources, technology, equipment and management methods, and increase competitiveness in the market. In short, family, joint household and village-run enterprises possess enormous vitality and conform with the objective economic law. This is the new path followed by the masses in practice.

[OW260706] At present, the principal task is to offer warm and active support to existing family, joint household and village-run enterprises. The leading departments in villages and towns must not neglect them simply because they do not get a share of the profits. The important roles played by these enterprises in providing revenues to the state, reforming rural production structures, and spurring the great masses of peasants into prosperity must be taken into account. Therefore, the leading departments should willingly offer assistance and help solve the difficulties encountered in matters concerning capital, power, land, purchasing and marketing. They should guide enterprises into applying diversified forms of integration and cooperation on a voluntary and mutually beneficial basis. If the latter should express the wish to link up with local industrial, supply and marketing and foreign trading units, or with city enterprises, then the leading departments should act as go-betweens and help work things out. For those enterprises which, in their early days of operation, do not meet the standards set for quality, sanitation and production technology, wholehearted assistance and not outright criticism or rejection, must be offered to improve quality and to comply with the necessary criteria. Family enterprises which have no idea of accounting must be taught bookkeeping and how to account for what they put in and what they produce; in this way, they enhance their management skills as well as economic efficiency. In places where there is concentration of specialized production, enterprises must be aided in establishing professional associations or service centers. Business activities that should be and could be coordinated (such as purchase of raw materials and marketing of products) must be carried out according to economic principles in order to increase the level of specialized production and save on expenses.

All localities must take note of and promote new family, joint household and village enterprises. They must conduct investigations and research to find out their potentials and focus on one area at a time to make them successful. Every locality has its own advantages, resources, traditional skills and markets. The people must be made aware of their advantages and on this basis, create the necessary conditions to develop local specialized production. Some

large enterprises should be encouraged to engage individual households in handiwork, conducting unified acceptance tests on their products, or assembling them, thereby expanding operations and production. Capital, technology and labor should be shifted to the production of goods in short supply and to infrastructure construction, particularly, to the development of the tertiary industry and the building of cold storages, warehouses, roads and bridges. For people who engage in these activities, the principle of "he who invests shall gain" should apply and more favorable treatment in credit and taxation be accorded them. All localities should pay attention to organizing the transfer of specialized production technology from advanced areas to backward ones, and use technology to help the impoverished. A considerable portion of the production development funds for disaster and poverty-stricken areas should be loaned to promote family and joint household enterprises. This will allow economically backward regions to revitalize their economy and prosper in no time.

[OW260707] /2) Consolidate and reform the old enterprises, give full play to their backbone role./ Although the more than 56,000 old enterprises run by villages and towns constitute only 13 percent of the total village and town enterprises, they employ 57 percent of the total workers, turn out 69 percent of the total output value and turn in 58 percent of the grand total of profit and tax. They are still a backbone force of the village and town enterprises. We stress the importance of developing family, joint-household and village enterprises. We do not mean we can underestimate or ignore the role of these old enterprises.

But these enterprises have so many problems waiting for solution that have hindered them from playing their proper role.

The first problem is their management confusion. They have no rules and regulations to follow or simply do not follow any rules and regulations, giving rise to laxity in discipline and embezzlement of public funds. People have been discontent with them, saying these enterprises "are village and town cadres' ready source of money, a small treasury from which to get cash for dining and pleasure-seeking and organizations to employ their children." It has been several years now since a proposal was made calling for efforts to consolidate enterprises. The focal point, however, has been directed at the state-enterprises in urban centers; no real effort has been made to consolidate village and town enterprises. We must pay attention to this shortcoming. The key to success in consolidating them is to reform their management, have them enter into contracts and establish various economic responsibility systems. Poorly-run village or town enterprises should be contracted out to collective units or individual persons on the basis of a contractual responsibility system which requires that the enterprise directors or managers be responsible for their own financial losses or gains. The biggest advantage of this practice is the close integration of responsibility, right and profit which gives full play to the subjective initiative of those who have entered into such contracts, straightens out the internal and external relations of enterprises, mobilizes the workers' enthusiasm for production and improves productivity.

The second problem is technical backwardness. An important reason for our village and town enterprises' poor competitiveness is their obsolete technical equipment which makes it impossible for them to turn out high-quality products. It is therefore imperative to swiftly upgrade their technical equipment. Funds required for upgrading technical equipment can be raised by authorizing enterprises to keep a certain proportion of public funds and by selling stock certificates to key and specialized households and combined economic units in rural areas. Village and town enterprises' technical equipment can be upgraded by other enterprises that produce or have advanced equipment. This can be done through compensatory trade between them or by leasing. If and when conditions permit, village and town enterprises can utilize foreign funds and import foreign technology. Agricultural banks should provide loans to village and town enterprises to enable them to carry out technological transformation. To raise their technical level, village and town enterprises should be bold in entering "technological markets, offering technical bids, purchasing technological patents, and soliciting technical advice. They should also carry out necessary cooperation between themselves and institutions of higher learning as well as scientific research organizations; invest in technical development projects; and obtain priority transfer of new technology, new products and new techniques.

[OW260708] /3) Strive to enliven circulation, further promote production./ Only when products enter circulation can they become commodities. Commodities will create conditions for expanding reproduction when their values are recognized. From their very beginning, village and town enterprises should try hard to enliven circulation. Without circulation networks that link all parts of the country, production cannot continue. Enlivening circulation has become the key of village and town enterprises to developing themselves in width and depth.

Circulation can go on through many channels, including purchase by contract, placing of orders, consignment sales, self-operated trade warehouse operations, and wholesale markets. You have freedom to choose your circulation channels except for a few items of merchandise controlled by the state. Since there are no other restrictions, you may sell your products at prices according to market demand, and you may negotiate sales and purchases. There are, however, several points to be emphasized. First, that family industrial householders engage in both production and marketing is a disadvantage to developing the commodity economy. They should be organized into various divisions of labor such as production, supply, and marketing according to the principle of mutual benefit and of respecting their own free will and by considering their different areas and business lines. Special attention should be paid to carrying forward the role of sales clerks in rural areas in an effort to promote sales. Second, urban and rural commerce departments, especially rural supply and marketing cooperatives, should enthusiastically take part in market regulation. The peasant-run markets in many localities are brisk while the sales departments of rural supply and marketing cooperatives are low in business. These cooperatives do not consider themselves duty-bound to help and support the development of village and town enterprises. This attitude on the part of rural supply and marketing cooperatives should change.

They should join the peasants and village and town enterprises and help them in procurement, transport, marketing, storing and technical consultancy in an effort to spur the growth of village and town enterprises. Third, areas where village and town enterprises were set up earlier and have developed faster than those in other areas should extend their commodity circulation networks to the backward areas, pass on technological knowledge, and help the backward areas organize production and promote sales of their products. This will carry forward the advanced areas' economic radiative role. Fourth, as far as their management principle is concerned, village and town enterprises can "buy products from A and sell them to B" and vice versa and "promote exchange between the south and north" to stimulate circulation and further invigorate the markets.

To speed up products circulation, it is necessary to step up construction of rural markets. The Simosheng market in Taihe County's Pitiaosun Village is large, but the vendors still display merchandise on the ground there, and travel to and from the market is difficult. The local government has begun construction of a market building at Simosheng and roads in the area are being upgraded. These measures are imperative. It is beyond one's imagination that such a prosperous market as Simosheng has no fixed business buildings, no storage and transport facilities, and no convenient transport and communications installations. Local governments at all levels and departments of industry, commerce, communications as well as posts and telecommunications must conscientiously perform their duties regarding construction of market and service facilities. Industry and commerce administrative charges collected should be used to build markets. In a nutshell, any department collecting fees from village and town enterprises cannot just impose charges on them and then do nothing to serve them.

Enlivening circulation requires that every comrades who is responsible for village and town enterprise production and management study the law of value and market mechanism. The market is a big school where competition is keen. We should pay attention to establishing wide-range economic ties, be good at obtaining market information, be flexible in using economic means as a lever to control and develop market operations by adopting correct management policy decisions so that we will be invincible in any competition.

[OW260709] /4) Organize city industry to spread operations to villages and towns, establish a new type of relations between cities and the countryside./ At the national conference on rural work, Comrade Wan Li pointed out in his speech: "From now on, both cities and rural areas should open doors. Comrades in charge of rural work and comrades in charge of urban work should all take the overall situation of the urban and rural economy into consideration, strive to eliminate various kinds of barriers in the relations between cities and rural areas, promote economic association between cities and rural areas, and gradually establish a new type of production structure in cities and rural areas in the form of division of labor and multilevel production."

According to this important strategic thinking, we should organize production forces in cities to extend to rural areas in a planned and systematic way in

order to support the development of village and town enterprises and the rural economy. Large and medium sized enterprises in cities should take the "Bailan road" [bai lan dao lu 4101 5695 6670 6424] and as much as possible spread the production of parts to the rural areas. Hefei city has established city-countryside joint corporation and spread the production of accessories and parts to the rural areas. This is a good method. Some of the enterprises in cities can shift a part or large part of production to the rural areas so that they can have space and capability to develop new technology and new products. If the enterprises in cities have doubts about the quality of items produced in the rural areas, they can first assist village and town enterprises to train workers and raise their technical skill and then strictly examine the quality of products according to the standard in accepting them. In this way, the enterprises in cities can expand their production capacity without having to build additional plants and facilities. It cannot only raise the level of specialization of the enterprises in cities but also promote economic development in villages and towns. Why not go ahead with it? A key point is that comrades in charge of enterprises in cities should be broad-minded and liberate their thinking. In addition, we should stipulate that in the future various processing industries using agricultural and sideline products as raw materials should all be concentrated in villages and towns. If individuals cannot handle those industries, they can be run by collectives. If the collectives cannot handle those industries, they can be run by local authorities. If the local authorities cannot handle those industries, they can be run by the state. Besides, they can be operated jointly by cities and rural areas. The rural areas will provide resources, plant sites, and the labor force while the enterprises in cities will provide technology and equipment and facilities. They can form a partnership in the operation.

Joint operations of cities and rural areas should adhere to the principle of mutual benefit and be operated according to the law of value. We must not ask one side to support the other side without compensation and must pay attention to the economic results of both sides. We should adjust tax collection policies toward the products which were produced in cities but are now produced in the rural areas. We will only levy taxes on the added value of those products. We should allow city enterprises to employ loans for those city-countryside joint enterprises. Those joint enterprises will also enjoy preferential treatment over state-supported village and town enterprises.

Small towns play a necessary role in linking cooperation and exchanges between cities and the rural areas. We must continue to implement the policies formulated at last year's provincial meeting on the work of small towns and speed up the building of small towns. Counties with relatively large numbers of small towns can first concentrate their strength in integrating relatively developed small towns with townships. The small towns will lead the work in villages and their scale will be expanded in an appropriate manner. We will further liberate policy and encourage peasants and enterprises in cities to make investments in small towns, operate industries, business and other enterprises, build various kinds of basic facilities and develop tertiary industries in order to expand the divergent economic capacity of those small towns.

[OW260710] /5) Pay attention to training competent people, step up efforts in developing intellectual resources./ One of the biggest obstacles to the development of village and town enterprises at present is the lack of competent people. Cadres possessing special skills now account for less than 1 in every 10,000 employees of all village and town enterprises in the province. The technical quality and managerial level is relatively low in these enterprises. To solve this problem, the following two approaches should be taken.

One approach is to base themselves on the local resources by tapping local potentials to train technical and managerial personnel that are needed locally. Village and town enterprises should have a list of all skilled personnel that can be found in their own enterprises or townships. They should act without hesitation to use and promote those who have skills and those who possess managerial potential and are good at business operations. In doing so, they can make exceptions and disregard employment restrictions that set towns apart from rural areas and agricultural households from nonagricultural ones. The province and the various prefectures, counties and townships should all have their own personnel training bases to train technical, financial, accounting and managerial personnel. The training should be done by states and in groups and by practicing the principle of combining the good and weak points. The provincial bureau of village and town enterprises should make arrangements for factory directors (managers) of all larger enterprises to get concentrated training in rotation this year. Every enterprise may, at its own expense, send its selected employees to receive training in a university, a special or technical secondary school, or a scientific research institute or get further training in their own specialties in a large factory or mine. Chuxian, Anqing and Luan Prefectures attach great importance to this work. They have already achieved remarkable results.

The other approach is to take advantage of "alien brains" by boldly hiring or borrowing competent people from urban areas. Scientists, technicians and skilled workers of various fields in the cities should be encouraged to offer intellectual support to the countryside. Professional and technical workers in urban enterprises and other units should be allowed to go to serve as part-time advisors, teachers, scientific researchers, or consultants in village and town enterprises, provided they fulfill their own tasks. Some scientists and technicians should be permitted to take leave without pay to go to work for village and town enterprises at good pay. Scientists, technicians and managerial personnel who volunteer to work in village and town enterprises will keep their status as state cadres or workers of enterprises that are owned by the whole people; their registered residence and grain and oil entitlements will remain in their respective cities; and they can return to the cities upon retirement. The education and personnel departments should make planned assignments whereby a number of university, special, or technical secondary school graduates will be sent to work in village and town enterprises each year. There are abundant resources to be tapped everywhere in our vast countryside; when their development is combined with modern science and technology, the results will increase by leaps and bounds and a takeoff for the village and town enterprises will be much more possible.

### III. Strengthen Leadership, Make Good Efforts in Service Work

We must conscientiously implement the CPC Central Committee's No 1 Document of this year and the guidelines of the Third Session of the Sixth National People's Congress and further strengthen leadership over village and town enterprises. This is needed for the consolidation and development of the present excellent situation. This also holds the key to the certain realization of still greater development of village and town enterprises.

/1) Continue to raise understanding./ The fast development realized by our province's village and town enterprises represent an inseparable part of the national economy. They are an important source of the state's accumulation, an efficient assistant to the urban economy, and a major way to divert surplus rural labor force and increase the peasants' income. In short, developing village and town enterprises is an important strategic measure in invigorating Anhui's economy. It must be noted, however, that there are still a good number of cadres who either underestimate village and town enterprises or attach importance only to those enterprises run directly by the townships or villages and neglect those run individually or jointly by the peasant households. There are also some comrades who still have all sorts of worries and are afraid the policy might change or they might make mistakes themselves. This shows that it remains the task of primary importance for leaders at all levels to constantly raise their understanding and, on that basis, seriously study and resolve problems pertaining to thinking, policy and work.

[OW260711] In his "Report on the Work of the Government" delivered at the Third Session of the Sixth National People's Congress, Premier Zhao pointed out that in the countryside, "we should gradually establish a rational production structure featuring the development of farming, forestry, animal husbandry and aquaculture and the management of agriculture, industry, commerce and transport. It is a pressing strategic task for our whole party to promote the rationalization of rural production structure. From now on, we should appraise both the agriculture and the village and town enterprises of a rural area in order to evaluate the overall work of the area. The results of agriculture and village and town enterprises are also an important criterion for evaluating rural cadres.

In order to have a correct understanding of the importance of village and town enterprises, we should pay attention to handling the following relationships well: One is the relationship between agricultural undertakings and industrial undertakings. We say that "we cannot become rich if we do not have industry," but we must not "overemphasize industry to the neglect of agriculture." We must consider the overall economic situation of the rural areas. Recently, some localities have been neglecting agriculture to various degrees and slackening their efforts in grain production. We must pay attention to this situation. "Without agriculture, our foundation will be unstable." Without agriculture, the village and town enterprises will lose vitality and the basis for survival. We must develop village and town enterprises on the basis of insuring a steady growth in grain production. We should "pay attention to farming as well as making money." "We should walk on footpaths

between fields, as well as on roads." The next relationship is that between speed and efficiency. On the one hand, we should know that our province has favorable conditions for accelerating the development of village and town enterprises, and it is no doubt necessary and feasible to maintain a fairly high growth rate. On the other hand, we should be realistic, advance steadily, prevent the phenomenon of blindly seeking and racing for a high growth rate, and cherish and protect the masses' enthusiasm for socialism. We should seek a higher growth rate on the precondition that efficiency is improved, so that both efficiency and growth rate are enhanced. The third relationship is between economic invigoration and good economic management. Adherence to the principle of reform, opening to the outside world and invigorating the economy is a decisive step in promoting a steady development of village and town enterprises, rural economy and the national economy as a whole. However, this does not mean that we may weaken the functions of the state organs in leading and organizing economic construction. The powers that should be delegated to lower levels must be delegated to them. What should be controlled must be controlled. We should exercise effective control over macroeconomic activities, while allowing flexibility on microeconomic activities. The fourth relationship is between self-reliance and support from other departments. We emphasize that village and town enterprises should rely on themselves, but this does not mean that other departments may ignore them. On the contrary, the village and town enterprises are in need of warm support from various departments at various levels and are in need of the latter's timely assistance in solving problems in the course of development and in creating necessary conditions for their continued development.

/2) Seriously implement the policies./ At present, we have policies concerning the development of village and town enterprises. The thing is we have not done a very good job in implementing the policies since certain policy restrictions were abolished. All localities and departments should work in accordance with the guidelines of this year's central Document No 1 and the provincial rural work conference, and seriously implement the policies, provisions and concrete measures adopted by the provincial party committee and the provincial government for supporting the development of village and town enterprises. In light of current needs, all localities and departments should revise any present policies that are not in line with the guidelines of this year's central Document No 1 and objective realities.

[OW261055] It is necessary to correctly implement the taxation policy. Along with the development of village and town enterprises, more and more tax money will be delivered to the state. This is an important source of state revenue. Our focus of attention must be on support for the existence and development of village and town enterprises, so that there is a steady flow of revenue, increasing in a sustained way for the state. "Give, in order to take." All taxation departments must conscientiously implement the central authorities' taxation policies and carry out the 20 regulations ("Circular on Adopting Preferential Taxation Policy To Strongly Support Further Development of the Rural Economy") formulated by the provincial taxation departments this year. Taxes, which should be levied, must be resolutely levied; taxes, which should not be levied, must never be accepted. New village and town enterprises enjoy

exemption of excise, increment duty and business tax for 1 year, and industrial and commercial income tax for 2 years. If they still have difficulties when the exemption period expires, more preferential treatment may be given. Different tax exemptions, and other preferential treatment, are enjoyed by village and town enterprises exclusively producing food, fodder, building material and means of production for agricultural use. They are also enjoyed by peasants, who enter cities to run stores and engage in service trades, and various handicraftsmen, who serve door to door in the countryside. Those who build and sell marketable houses, new cold storages and warehouses in rural areas, and village and town enterprises run in impoverished regions, old liberated areas, severely afflicted areas and areas where floodwater is stored, also enjoy tax exemptions and other preferential treatment. Flexible measures may also be taken in all localities to levy reduced, or no, taxes on other enterprises which have difficulties. It is necessary to seriously guarantee the legitimate rights and interests of village and town enterprises. Village and town enterprises have a completely independent power of decision. No unit or individual is allowed to infringe upon, or damage, their legitimate rights and interests. It is not permitted to gratuitously transfer, or embezzle, village and town enterprises' funds and property; it is not permitted to charge an enterprise fees, deduct a percentage of its profits, or apportion expenses at will; it is not permitted to randomly change an enterprise's ownership or its subordinative relationship; it is not permitted to deliberately set up barriers to make things difficult for enterprises' legitimate operations. Enterprises have the right to reject unreasonable apportioning of expenses or work. Regarding cases of infringing on enterprises' interests, it is imperative to investigate and affix responsibility. It is necessary to sternly deal with serious cases and punish those who break criminal law.

It is necessary to draw a distinction between the curbing of new unhealthy trends and the promotion of normal economic activities in accordance with the party's policy. At the national Rural Work Conference, Comrade Wan Li pointed out: "In the past, people thought that village and town enterprises contended with large industrial enterprises in cities for raw material and energy resources. They even blamed village and town enterprises as the root of unhealthy trends. As a result, village and town enterprises were in a difficult situation." It is necessary to unflinchingly curb unhealthy trends. However, it should be specifically pointed out that the present unhealthy trends must be curbed mainly in leading organizations and among leading cadres. The main job at grassroots level is to conduct positive education, and solve whatever question exists. It is necessary to draw a distinction between normal economic coordination and bribery, between more pay for more work and abuse of power for personal gains, and between normal transport and marketing on the one hand, and buying and reselling for a profit on the other. It is not permitted to "put a label on" people, when questions arise because of lack of experience and failure to draw a distinction, according to the party's reform policy. It is necessary to use the methods of education and guidance to help them sum up experience and continually improve.

/3) Make efforts to change style./ To suit the new situation in the development of commodity production, our workstyle should also greatly change. It is necessary to foster the idea of serving the grassroots level and the masses. It is necessary to go often into the midst of the common people, and go deep into the realities of life, which are continually developing and changing. It is necessary to conduct investigation and study in a down-to-earth way, proceed from the actual situation and give effective guidance.

It is necessary to become good at summing up and disseminating typical experience. When village and town enterprises are run in all localities, different types of model enterprises emerge. We should conscientiously sum up and disseminate their experience, so it can bear fruit in all enterprises. Though it is necessary to learn from experience of other places and other provinces, it is more important to be good at summing up and disseminating local, model enterprises' experience, because local experience is visible to the local masses' eyes. It is touchable and the masses can easily learn from it. Fuyang and Anqing Prefectures have done so. As a result, their village and town enterprises are showing unprecedentedly favorable trends. All our deputies seated here have precious experience. If you sum up your experience and disseminate it vigorously in your localities, there will certainly be good results of a household bringing along a village, and a village bringing along a township.

[OW261133] To develop village and town enterprises, party committees, governments and departments concerned, at the town level and above, should send cadres to grassroots units to conduct investigation and give specific guidance, to help the local people set up village and town enterprises. This work should be divided up and each individual, or group of cadres, should be assigned part of the work. Cadres selected from among leading groups at various levels in Qimen and Dangtu Counties were organized by these counties into work groups. These groups were put in charge of the work in the districts, towns (townships), villages or areas, responsible for setting up enterprises. Units at and above bureau level in these counties were required to help their subordinates set up one or two enterprises. This has helped develop village and town enterprises, and has trained the cadres. Experiences gained from this practice should be publicized.

It is necessary to help poverty-stricken areas develop village and town enterprises. The fundamental way to help poor villages and townships is to adopt more flexible policies to them, give them preferential treatment regarding production, circulation and taxation to help them improve their economic capability. We advocate "sending charcoal in snowy weather to areas where it is urgently needed." Developed and prosperous areas should help poor areas. Institutions of higher learning, scientific research units, and large- and medium-sized factories, mines and other similar enterprises should also give a hand to poverty-stricken areas. Support should also be given to these areas by government departments concerned regarding information, technology, management and personnel training, so that these areas can deliver themselves from poverty and achieve prosperity as soon as possible.

/4) Render service on a solid basis./ Leadership is to serve. The Decision [on Reform of the Economic Structure] of the 3d Plenary Session of the 12th CPC Central Committee says: "The leading organs at various levels should be able to orient their work to promoting production, serving the enterprises and other grassroots units, helping build a strong and prosperous country, and bringing prosperity and happiness to the people." Leadership at all levels and departments at various levels, including planning, finance, industry, commerce, supply, food, construction, electric power, foreign trade, transport, sales and marketing, education, public health, environmental protection and science and technology, should have correct ideas guiding their respective work, and do everything possible to support village and town enterprises. It is not necessary to ask for permission from higher authorities when you want to set up village or town enterprises--not necessary to submit your report through channels. Administrative offices at various levels must not intervene in the establishment of village and town enterprises. We firmly oppose any passive attitude to, and restrictions on, these enterprises. We are opposed to anything that would stifle their growth. A common practice of supporting village and town enterprises should be established, along with a sound service system in efforts to support them.

As far as supporting them with funds is concerned, the old convention of stressing collective enterprises, but belittling individually-run ones, should be shattered, along with the old practice of treating them all alike, and laying barriers between different departments. Plans must be drawn to invest funds in selected enterprises. Statistics show that the amount of agricultural loans issued by the agricultural banks in this province for the first quarter of 1985 has increased, and the portion of these loans for village and town enterprises has more than doubled from the first quarter of last year. This has greatly stimulated the growth of village and town enterprises. In approving loans, Huaining County has given priority to five kinds of applications. They were those submitted by new enterprises, by enterprises in economically backward areas, and by those wanting to import advanced technical equipment, to upgrade products, or to trial-produce new merchandise. A number of new methods for raising funds was also initiated by some localities. These methods included purchase of share stock certificates, labor investment, investment with fixed assets, technological investment and civilian credit loans. All these are viable and effective. I hope that, in the course of practice, we shall be able to open new fund sources.

[OW261329] In raw materials and energy supplies, it is necessary to abolish departmental ownership and the practice of "protecting state-owned enterprises, restricting collective enterprises, and denying individual craftsmen and traders." Planning and operational departments at all levels should annually allocate a portion of the raw materials and fuel they obtain to village and town enterprises. The provincial authorities have initially decided to provide village and town enterprises this year with more than 1 billion yuan of loans, 100,000 tons of rolled steel, 1 billion jin of grain, to be sold at the original unified selling price (including fodder grain) and 300,000 tons of cement. In addition, power supplies will be appropriately increased, in excess of the original quota. Preliminary

arrangements have recently been made in various localities. For instance, in addition to a loan of 250 million yuan, Anqing Prefecture has decided to provide 30,000 to 50,000 tons of coal and 2,000 tons of rolled steel to village and town enterprises. I must emphasize, at this point, that the loans and materials distributed to various localities must really be used for developing village and town enterprises. Administrative departments of village and town enterprises at all levels should be given certain decision-making power over the use of these loans and materials. Misappropriation for other purposes, under cover of arrangements for village and town enterprises, is not permitted.

In unclogging production and marketing channels, it is necessary to rapidly transmit market information, through various means, and develop consultancy services. Moreover, efforts should be made to relax controls and streamline procedures in issuing certificates, determining locations and carrying out actual operations.

/5). Strengthen organizational construction./ As village and town enterprises form a comprehensive economic system, involving many places, sectors and departments, it is necessary to have a powerful administrative organization to manage them. The provincial party committee and government have, after considering the issue, decided to upgrade the provincial bureau of village and town enterprises to an administrative organization at departmental level, and put it under a stronger, new leading body. It is hoped that all localities will follow suit, and strengthen the administrative structure of prefectural, city and county bureaus of village and town enterprises.

Offices in charge of village and town enterprises should also be established in districts and townships (towns), and should be outfitted with a specific number of full-time management personnel. Enterprise-style management should be carried out, whereby the required cadres will be recruited, and paid, from the administrative fees collected from the enterprises, thus eliminating the need of relying on the higher levels for staff reassignment and fund allocation. In arming the bureaus of village and town enterprises at all levels with leading bodies, it is essential to insure that the leaders become more revolutionary, younger in average age, better educated, and more professionally competent. Therefore, it is necessary to boldly employ a group of middle-aged and young cadres, who have ideals, moral integrity, education, a sense of discipline, a good knowledge of business and management and enthusiasm. The leading bodies do not have to be large. They should consist of select leaders, capable of creating new situations. Currently, the bureaus of village and town enterprises in some localities are manned by cadres, who are too old for the job and lack proper education. These bureaus have even become a place for taking care of and settling cadres. Such localities should take decisive measures to readjust. The purpose of establishing administrative organizations in charge of village and town enterprises at all levels is to facilitate the development of these enterprises by properly carrying out various types of work, including service, logistics, research and investigation, planning and coordination, policy implementation and operational guidance. The bureau of village and town enterprises in Tianchang County has proposed to "play four roles well": That is, to act as "eyes and ears," by supplying village and town enterprises with information; to act as a "match-maker," by doing liaison work among enterprises, and introducing "the three

items" (capital, technology and equipment); to them to act as "a backup force," by coordinating the various relations of enterprises; and to act as "a counselor," by working out plans and policies and training personnel for enterprises. This proposal is worth promoting.

Dear comrades: 1985 is the first year for carrying out overall reform, focused on the cities, the last year of the Sixth 5-Year Plan, and a year for the provincial village and town enterprises to improve efficiency and make steady advances. I hope that you will bring out the spirit and initiative of an ardent reformer, unite and lead all the comrades on the village and town enterprises front to wage arduous struggles and to work hard for the prosperity of the province, make greater contributions to the development of village and town enterprises, and the revitalization of the rural economy and win greater honor for the province.

CSO: 4006/653

AGGREGATE ECONOMIC DATA

BRIEFS

JILIN PREFECTURAL PRODUCTION--In 1984, the total industrial and agricultural output value of the Yanbian Korean Autonomous Prefecture, Yilin Province, reached 2.19 billion yuan, a 13.4 percent increase over the previous year; and the per capita industrial and agricultural output value was 1,000 yuan, ranking first among the 31 autonomous prefectures in the 5 autonomous regions of our country. [Changchun Jilin Provincial Service in Mandarin 1030 GMT 12 May 85 SK]

CSO: 4006/653

5 July 1985

## ECONOMIC MANAGEMENT

## XUE MUQIAO'S CONTRIBUTIONS TO CHINA'S STATISTICAL WORK

Beijing TONGJI [STATISTICS] in Chinese No 1, 17 Jan 85 pp 2-5

[Article by Wu Hui [0702 6540]: "Comrade Xue Muqiao's Outstanding Contributions to China's Statistical Undertaking--Greeting the 50th Anniversary of Comrade Xue Muqiao's Undertaking in Economic Theory and Practical Work"]

[Text] October 1984 marks the 50th anniversary of China's noted Marxist economist Comrade Xue Muqiao's undertaking in economic theoretical and practical work. With a feeling of joy, the economic and statistical workers across the country congratulate him on the important contributions he has made in 50 years.

Comrade Muqiao conducted rural investigation and inspected the rural economy in the 1930's. For half of a century, he has tirelessly engaged in economic work and the study of economic theory. Many of his views and expositions in a series of his works have played an excellent role in making people correctly recognize and understand socialist economic problems; particularly, the book "Study of China's Socialist Economic Problems" he wrote in 1978 in which he probed with an emancipated mind and in a spirit of seeking truth from fact into China's historical experience in socialist economic construction in the past 30 years and criticized the "Left" mistakes in our economic work several years before that. It attracted extensive attention in public opinion both at home and abroad.

Comrade Muqiao was the first director of the State Statistics Bureau (1952-1958), the first chairman of the China Statistics Society (1979-1983) and is the present honorary chairman. He has made outstanding contributions in establishing and developing China's statistical work.

As we all know, statistical work was facing very difficult conditions during the early period of the founding of the PRC. Just as comrade Muqiao pointed out: Before liberation, the bourgeoisie had left behind very little statistical legacy, the statistical data they accumulated were not only lacking but also qualitatively unsuited to the needs of socialist construction."<sup>1</sup> The statistical work of New China was gradually established under such a situation almost without a foundation.

Our country implemented the First 5-Year Plan from 1953 to 1957. To cope with the needs of planned economic construction, the State Statistics Bureau

was formed in August 1952. During the period under Comrade Muqiao's leadership, our country's statistical work developed rapidly, even today many statistical workers, imbued with ardent love, called the First 5-year Plan period in our country the first golden age of development of China's statistical work. Comrade Muqiao who devoted all his energies during this period made important contributions in the following areas:

I. Establishing a Statistical System of "Unified Leadership and Management by Levels," Founding Relatively Sound Statistical Organization

Comrade Muqiao pointed out in December 1952: "Statistical work is the foundation of planned work: Without correct statistical figures, it will be impossible to draw up correct plans for economic construction and expeditiously check on the fulfillment of the plans."<sup>2</sup> It is necessary to "establish rapidly this type of new and scientific statistical work nationwide."<sup>3</sup>

Should a centralized and unified statistical system be adopted in New China's statistical work or should a decentralized system be adopted as in other countries? Muqiao held that "the organized leadership of our statistical work nationwide is in line with the principle of 'unified leadership and management by levels,' experience has proved that this is suited to the concrete conditions in our country. The statistical organs at all levels are the component parts of the people's councils at the same levels and operationally accept the leadership of higher-level statistical organs. Statistical organs at all levels also bear the responsibility of guiding the statistical work of various operational departments at the same levels. The State Council has authorized the State Statistics Bureau to unify the national statistical accounting system, control the national statistical report forms, arrange national surveys and random investigations, and manage and supply national basic statistical data in a unified manner...." Although some changes had been made in specific implementation afterwards, the principle of "unified leadership and management by levels" in this statistical management system has remained unchanged to this day.

On 8 January 1953, the State Administrative Council issued "Decision on Replenishing Statistical Organs and Strengthening Statistical Work." Thanks to the efforts made in several years, statistical organs were set up and strengthened one after the other from the central government to local governments at all levels and from the central ministries to various local operational departments and enterprises at the grassroots level and tens of thousands of statistical workers were rapidly provided nationwide. Comrade Muqiao realized that energetic training of statistical cadres was an important task of great urgency. He pointed out: "Statistical cadres must be politically loyal and reliable and serve the people wholeheartedly, in the meantime they must be competent at statistical work or have a good prospect of getting trained..., vigorous efforts must be made to train statistical cadres and raise the cadres' operational capabilities...."<sup>4</sup> In response to Comrade Muqiao's proposal, statistical departments at all levels carried out a great deal of training work in various forms to develop this newly established statistical contingent politically and operationally at a fast pace, thus many people have become statistics experts of the new generation.

## II. Formulating Basic Principles and Basic Tasks of Statistical Work During the Transitional Period and Developing Appropriate Statistical Work in China

In 1952, the CPC Central Committee advanced the general line for the transitional period. On the basis of the general line, Comrade Muqiao put forth the basic principles and basic tasks for statistical work construction during the transitional period in our country.

He said: "Establishing socialist statistical work that is suited to the needs of the state's socialist construction and socialist transformation is the basic principle for statistical work construction during the transitional period in our country. In keeping with this basic principle and the characteristics of statistical work itself, the basic tasks of our statistical work should be: collecting, sorting out, studying and providing by scientific means various types of statistical data suited to the needs of socialist construction and socialist transformation; this type of statistical data should be able to expeditiously and correctly reflect the trend of national economic development to become the basis for the state to make policy decisions and formulate plans and with which to inspect the implementation of the state plans."

Guided by this basic principle and the basic tasks, Comrade Muqiao led the State Statistics Bureau in developing a great deal of statistical work. Besides gathering data by means of the regular statistical reports submitted by various economic departments, in 1952 in compliance of Chairman Mao's instructions, he again organized forces from all quarters to conduct two investigations on the country's total industrial and agricultural output value and on labor employment; in 1953, the State Statistics Bureau in conjunction with the Ministry of Internal Affairs and the Ministry of Public Security jointly carried out the first national census of great magnitude; in 1954, the State Statistics Bureau organized a general survey on private industry and handicraft industry; in 1955 it again organized a general survey on private commerce; in 1955 and 1956 it began to conduct an investigation on the income and expenditures of the families of peasants and workers and staff members and began computing the national income. These investigations and statistical work provided numerous useful data for drawing up and inspecting national economic planning and for the socialist transformation of agriculture, handicraft industry and capitalist industry and commerce at that time.

## III. Establishing the Scientific Statistical Accounting System and Report System, Applying Multiple Methods of Investigation and Statistics

Comrade Muqiao attached great importance to establishing a scientific statistical accounting system and explained very clearly its necessity and the principle that must be followed in establishing it. He pointed out: "The statistical accounting system is the foundation of statistical work; without a good foundation, all statistical data will lose their proper role for lack of a scientific basis." "To establish a complete and scientific statistical accounting system, it is necessary first of all to formulate a complete set of scientific statistical index systems and a method of dividing into groups by applying the theory of Marxist political economy." "The methods of computing in all these statistical index systems must be unified," "the consistency of the index systems and

the methods of computing for plans and statistics must be ensured," "the consistency between accounting and operational accounting and statistical accounting must be ensured to the extent possible to establish a unified accounting system for the national economy this way." Analyzing the relations between the statistical system and the statistical report system, he pointed out: "Our statistical accounting system should also be specifically expressed in statistical report forms. Statistical report forms must first of all choose statistical indices carefully according to needs and possibility. Because these statistical report forms have to be universally filled out nationwide, adding an unnecessary index could mean tremendous waste, and adding one more unnecessary statistical report form naturally means still greater waste. Secondly, the unity of the statistical accounting system must be ensured, consequently the scope included in each index and the methods of computing must be clearly explained. This kind of explanation must be fully in line with the unified statistical accounting system stipulated by the state." "To attain the goal of having a unified accounting system and avoid waste due to duplication, the state statistical organs must exercise strict control over all statistical report forms."

In compliance with all these principles put forth by Comrade Muqiao and thanks to the efforts made in several years, the State Statistics Bureau established a unified statistical accounting system and a statistical report forms system and continued to improve and perfect them in practical work. Exceptionally notable results had been achieved in managing and sorting out report forms. A serious situation existed during the early period after the founding of New China due to indiscriminate distribution of statistical report forms. Many report forms were not only duplicating, contradicting and unnecessary but also were unreasonable and impractical in that information about the number of flies and mosquitos and their weight in jin and the amount of manure by oxen, sheep, pigs, chicken, ducks and geese categories had to be filled out. On 5 September 1953, the State Administrative Council issued a "Directive Concerning the Sorting Out of the Investigation and Statistical Forms and Tables Currently in Effect and Prohibiting Indiscriminate Issuing of Investigation and Statistical Forms and Tables," in June 1954 the State Statistics Bureau stipulated "Provisional Measures Governing the Formulation and Examination and Approval of Investigation and Statistical Report Forms" which effectively curbed the state of confusion in investigation and statistical work at that time to enable the management of investigation and statistical report forms to move along a healthy course.

Comrade Muqiao advocated the application of multiple investigation and statistical methods in investigation and statistical work. He said: "In the first several years, we all were used to collecting various types of statistical data by means of overall investigation; for every kind of statistical data needed, a general survey and even a periodical statistical report form were arranged. Because this kind of investigation method was very onerous, requiring the mobilization of forces nationally and extended periods of time, investigation of this type should not be carried out excessively since the data acquired cannot satisfy the needs of all quarters. Experience has proved that, besides overall investigation, we must also adopt other nonoverall methods of investigation, investigation on typical examples and so forth." He conducted an

in-depth comparative study of various types of investigation methods and expounded their fine points and defects and applicable conditions. He emphatically pointed out: "Overall investigation should never be conducted indiscriminately nor should periodical statistical report forms be issued indiscriminately. We have said time and again that overall investigation should not be conducted when investigation in selected localities or investigation on typical examples can satisfy our needs; monthly reports or quarterly reports should never be arranged when an annual report or one-time investigation can satisfy our needs."

The State Statistics Bureau simplified the overall statistical report forms several times, carried out investigations in selected localities and investigations on typical examples in dealing with certain questions and conducted random investigations on the income and expenditures of the families of workers and staff members and peasants and on the output of agricultural products and achieved certain results. Comrade Muqiao noted the rich experiences of capitalist countries in applying the method of random investigation. In 1957, the noted expert on random investigation, Prof Ma-hu-la-nuo-bi-si /phonetic 7456 0761 2139 6179 3024 2448/ of India, was invited to China to give lectures. Later two staff workers were sent to India on an inspection tour. For the present, reform of the economic management system in our urban and rural areas has been or will be carried out, but since the economic situation is more complex, it is necessary to apply various investigation methods more effectively. Comrade Muqiao's views still touch our hearts when we read them again.

#### IV. Paying Attention to Sorting Out Statistical Data, Vigorously Promoting Statistical Analysis

Comrade Muqiao attached great importance to sorting out statistical data. He once pointed out: "The products of a statistical organ are its statistical data, statistical organs must ensure that the statistical data they provided can quantitatively and qualitatively satisfy the needs of state construction, particularly planned management, and at the same time adequately take care of the needs for scientific research." "That the state needs us is because we can provide the state all kinds of statistical data it needs."

Comrade Muqiao also paid attention to publishing adequate statistical data to society on a regular basis. Between 1953 and 1960, the State Statistics Bureau published yearly the "Communique on Fulfillment of China's Economic Plan." In 1959, on the 10th anniversary of the founding of the PRC, the State Statistics Bureau put out a book entitled "A Great Decade" describing systematically with statistical figures the great achievements made in the 10 years since the founding of New China.

To lighten the work of statistical personnel in compiling statistical data, Comrade Muqiao had devoted his attention to the question of mechanizing statistical work in the 1950's. In 1956, the State Statistics Bureau imported from Czechoslovakia a set of computing machines, set up a computing room and started collecting data for annual reports and general surveys by means of computers; this signified the beginning of mechanization of statistical work in our country.

When statistical work was just introduced in our country, some statistical personnel were found not studying statistical data. Comrade Muqiao said: "'While figures showed up in tables, there is no figure at heart,' this has become a fairly common phenomenon. Of course, under these circumstances, it will be impossible to expeditiously detect certain serious defects or errors in statistical data nor will it be possible to discover problems and provide a solution for them by means of statistical data." He pointed out: "Statistical organs should make use of the abundant statistical data to engage in comprehensive study of the development of the various national economic departments.... There should be a clear division of labor in analytical study between the statistical organs and various operational departments, ...the stress should be focused on comprehensive study, such as comprehensive study of industrial production, market conditions, capital construction and supply of goods and materials, and so forth. This type of study will be very difficult for any single operational department to undertake independently. Besides having various national economic departments engage in comprehensive study, the mutual relations between various national economic departments must also be studied so as to discover imbalance and disharmony that might possibly occur. With regard to the study of the national income and the equilibrium of the national economy, it is all the more necessary for the statistical organs to take responsibility in gradually establishing and strengthening this work." At Comrade Muqiao's proposal, the state statistical departments have founded a fine tradition, that is, reporting to the leading organs at all levels changes in national economic development in the form of a statistical analysis report. Whether or not the state statistical organs should perform the task of analyzing statistical data is a controversial question abroad. Comrade Muqiao's attitude toward this question, however, was affirmative, since in this way statistical work can play a still bigger role in national economic construction. Practice over more than 30 years has proved that our statistical work has been following an absolutely correct road.

In short, Comrade Muqiao has made overall and effective contributions in establishing and developing statistical work in our country. His numerous opinions on statistical work are not only playing a huge motivating role in developing statistical work at present but have also become the guiding principle of our country's statistical work for a long time to come.

Our statistical work has traversed a tortuous course of development. After the downfall of the Jiang Qing counterrevolutionary clique, especially since the 3d Plenum of the 11th CPC Central Committee, statistical work has been rapidly restored from the devastation of the chaotic decade and made tremendous progress in all fields. It is worthwhile to point out that in 1983 the state promulgated the "PRC Statistics Law" which guided our statistical work along the path of rule by law; in January 1984 the State Council put forth a "Decision on Strengthening Statistical Work" pointing out a clear target for modernizing our statistical work. The third census marks the beginning of modernization of our statistical work. For the present, statistical personnel throughout the country are striving for the overall realization of the modernization goal. This is the finest period of development of our statistical work since the founding of New China, the people have warmly called it the third golden age of development of our statistical work. I am convinced that so long

as we work tirelessly, a right and new situation for modernization will emerge in the statistical undertaking of our country participated and started by Comrade Muqiao.

#### FOOTNOTES

1. Xue Muqiao: "The Preliminary Experience and Future Tasks of China's Statistical Work During the First 5-Year Plan Period," printed in "Collection of Important Documents in Statistical Work" Third edition, p 41, published in November 1959 by Statistics Publishing House. For passages from this article quoted hereinunder, the source will not be noted again.
- 2, 3. Xue Muqiao: "Coordinate With Large-scale Economic Construction, Establish A Scientific Statistical System," First edition, p 9, published by the Statistics Publishing House in December 1955.
4. Xue Muqiao: "Coordinate With Large-Scale Economic Construction, Establish A Scientific Statistical System," in "Collection of Important Documents in Statistical Work," First edition, p 13.

12662

CSO: 4006/639

FINANCE AND BANKING

COUNTRY TO BORROW \$164.3 MILLION FROM WORLD BANK, IDA

HK150436 Beijing CHINA DAILY in English 15 Jun 85 p 2

["Special" to CHINA DAILY]

[Text] Washington, D.C.--China will borrow \$164.3 million from the World Bank and its lending affiliate, the International Development Association, for three projects designed to increase agricultural production, develop forest resources and provide data on a major gas field.

About \$92 million will be provided to central Anhui Province for a project to increase crop production by developing water resources, reducing flood damage and improving product distribution.

The project will also be supported by funds from the government of China and from farmers participating in the rural development programme.

Irrigation facilities on some 320,000 hectares eastern China will be rehabilitated by excavating channels, constructing embankments and adding control structures, ditches and drains. The additional facilities will provide a complete water delivery system to farmers.

A flood control system for the Chaohu Lake area will improve the agricultural potential of some 220,000 hectares through the construction of control gates, bridges and two major pumping stations. A new channel will provide another outlet to the Yangtze River for flood overflow from Chaohu Lake, China's fifth largest lake.

The International Development Association will provide \$47.3 million for the development of forests on 92 state forest farms in the provinces of Guangdong, Heilongjiang, and Sichuan.

Some 32,000 hectares will be planted, one quarter in fast-growing trees.

Forests tracks and roads will be upgraded to facilitate forestry work and equipment and vehicles will be provided to improve log handling and transport.

Wood processing facilities, including a plywood mill, a tannin extract factory and small workshops will also be included in the project.

A pre-investment study of the Weiyuan gas field will be financed by a \$25 million loan from the World Bank and \$5 million in funding from the Government of China.

The study will provide reservoir and production data on the gas field, located in the southern part of the Sichuan Basin in central-south China.

The project will update information, obtained through less sophisticated methods, which has led to inadequate recovery of gas.

The long-term goal of the project is to assist the southwest mining district to develop a more systematic approach to the rehabilitation of gas fields with technologically complex production problems.

The project will also help strengthen the Chinese petroleum industry by financing research and training programmes in the East China Petroleum Institute and the Southwest China Petroleum Institute.

CSO: 4020/260

BRIEFS

**BEIJING SKYSCRAPER**--Beijing, 29 May (XINHUA)--Beijing's tallest building has been completed. The China International Trust and Investment Corporation (CITIC) built the 31-storey, 101-meter high office block for 65 million yuan. Work started in April, 1982. CITIC Real Estate Division Deputy General Manager Meng Zhaobo said half of the 48,000 square meters of floor space has already been rented to 80 firms from 14 countries and regions, accommodating only 40 percent of applicants. The CITIC building, towering over eastern Beijing's Friendship Store, has restaurants, coffee rooms, beauty parlors and banks and is equipped with automatic fire-extinguishing systems and a program-controlled switchboard. Meng said the investment is expected to pay off in a very short time. [Text] [Beijing XINHUA in English 0826 GMT 29 May 85 OW]

CSO: 4020/260

## TRANSPORTATION

### DISTRIBUTION OF CHINA'S RAILWAY NETWORK DISCUSSED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 1, 28 Jan 85 pp 6-7

[Article by Xin Qin [6580 0530]: "Where Are the New Operating Railways Built After the Founding of PRC Distributed?"]

[Text] Railway construction in our country has scored magnificent achievements since the founding of New China. According to statistics, in 1949, China's railway operating mileage (not including Taiwan) totaled only 21,810 km, by the end of 1983 it had grown to 51,604 km, an increase of nearly 30,000 km, and the layout of the railway network had also improved greatly.

Before liberation, most of the railways were concentrated in the northeast and to the east of the Beijing-Guangzhou Railway with these accounting for more than 80 percent of the country's railway operating mileage, out of which the northeast occupied 40 percent; but the vast region west of the Beijing-Guangzhou line, accounted for merely 19 percent of the railway network especially in the vast regions in the southwest and the northwest where they were very few railways which were hard to get to, and thus the economy there was extremely backward.

After the founding of New China, the state attached great importance to improving the layout of the railway network, the railway network had gradually extended to the vast western region in line with the needs of the total strategy for economic development in various periods of construction. The southwest and the northwest accounted for 39 percent of the nearly 30,000 km of newly added operating railways. Now, the railway operating mileage in areas west of the Beijing-Guangzhou line accounts for over 45 percent of the country's railways.

#### I. Northwest Region

The northwestern region reported the greatest increase in railways after the founding of New China. Before liberation, this region had only somewhat more than 450 km of railway, which was the Tongguan-Tianshui section of the Longhai line. There was no railway in the vast regions of Xinjiang, Qinghai and Gansu. The Baotou-Lanzhou and Tianshui-Lanzhou lines were built in the 1950's after the founding of New China and the Lanzhou-Xinjiang

and Lanzhou-Qinghai (Lanzhou to Xining) lines were completed in the 1960's. Later the Qinghai-Xizang (Xining to Geermu) line, the line between Yangpingguan and Ankang, the line between Houma and Xian and the Wanjia (Turpan to Korla) line were built, thus operating mileage has reached over 6,900 km at present. The capital cities of various provinces and autonomous regions and several important industrial cities in the northwest region are all linked by railways connecting with other places via the Longhai and Baotou-Lanzhou railways, thereby greatly promoting industrial and agricultural development in the northwest region. Take Lanzhou City for example, at the time the city was established in 1941 there were only 90,000 people, but by 1953 the number had increased to 300,000. Lanzhou, where the Baotou-Lanzhou, Lanzhou-Qinghai, Lanzhou-Xinjiang and Baoji-Lanzhou trunklines intersect, now has a population of 2.4 million, becoming an industrial city of considerable scale. Its 1983 total industrial output value was 12-fold that of the entire Gansu Province before liberation.

## II. Southwest Region

The southwest region originally had a narrow-gauge line from Kunming to Hekou in Yunnan Province and a very few mining railways in Sichuan, the total railway operating track in the whole region being merely somewhat more than 700 km. By the end of 1983, the total railway operating track reached 5,900 km, out of which, Guizhou province developed from a very short section to 1,400 km; Sichuan Province developed from more than 60 km of mining railways to over 2,800 km; the Chengdu-Chongqing line was the first railway built after the founding of New China; Yunnan Province's railways developed from more than 600 km to over 1,600 km. The proportion of railway mileage in the whole region has raise from 3.4 percent to 11.4 percent on the national scale.

The completion and opening to traffic of the Chengdu-Chongqing, Chengdu-Kunming, Guiyang-Kunming and Sichuan-Guizhou railways one after another have linked up Yunnan, Guyand and Sichuan provinces into an entity; the completion of the Baoji-Chengdu, Guizhou-Guangxi, Hunan-Guizhou and Xinagfan-Chongqing lines linking with outside areas has directly connected the southwest region with the coastal regions in the east, the northwest and the North China regions in economic contacts. The initial formation of the framework of the railway network in the southwest region has created favorable conditions for economic development. In light of the increase in total industrial output value, a comparison between 1983 and the early period of liberation, Sichuan Province increased 40-fold, Yunnan Province 43-fold and Guizhou 41-fold. Railway development in the southwest region has played an important role in our national defense and economic development.

## III. North China Region

While the railway network is developing toward the west region, the layout of the railway network in the east region has also been improved.

Railways in North China region have developed from over 4,000 km to over 10,000 km. Major trunklines were built one after another after the founding

of New China such as the Fengtai-Shahezhen [Feng Sha 0023 3097], Jining-Erlan, Baotou-Lanzhou, Beijing-Chengde, Beijing-Taiyuan, Tangxian-Tongtuo [Tong-Tuo 6639 1001], Beijing-Tongliao, Taiyuan-Jiaozuo, Handan-Changchun and Beijing-Qinhuangdao lines. Beijing's routes to outside have increased from four to eight, forming an entity with the capital cities of various provinces and autonomous regions (with the exception of Xizang and Taiwan) and other important cities. In recent years, the amount of coal transported from Shanxi to other places has increased at a rate of nearly 10 million tons a year; in 1983, nearly 100 million tons of coal were transported, in spite of the heavy strain on the transport capabilities, the six routes from Shanxi to other places have made important contributions.

#### IV. Central-South Region

Railways in the central-south region expanded from 3,500 km to 8,300 km. The opening of the Jiaozuo-Zhicheng and Zhicheng-Liuzhou lines has added a major north-south trunkline west of the Beijing-Guangzhou line running between Datong in the north and Zhanjiang in the south, which is playing an important role in easing the strained transport situation along the Beijing-Guangzhou line, strengthening the flow of goods and materials between various provinces and cities in both the north and the south and developing the economy in areas along the railway lines. The Hunan-Guiyang and Xiangfan-Chongqing lines have brought about closer economic contacts between the central-south and the southwest regions. With the completion of the Wuchang-Daye line and the completion of the Daye-Jiujiang line now under construction, another important connecting line will be added to promote the contacts between the central-south and East China regions. After the entire line is completed, cargos to be transported from Nanchang to Wuhan will not have to go by way of Zhuzhou, thereby shortening transportation distance by 360 km, which, computed on the basis of current diverging linear freight volume, will save over 5 million yuan in operating costs and over 7.5 million yuan in freight, computed on the diverging lines freight volume by 1990, it will save more than 45 million yuan in operating costs and over 85 million yuan in freight, these savings are of both tremendous economic and strategic significance.

#### V. East China Region

Railways in the East China region increased from 3,600 km to over 7,400 km. Before liberation, Fujian Province also had no railways, with the Yingtian-Xiamen line being completed in 1957 and the Waiyang-Fuzhou line being built later, thereby opening up Fujian's passageway to the north. As the saying goes: "Rich or poor depend on the railroads," railways have thus become the key to economic development. The completion of the Fuyang-Huainan line, and the Anhui-Jiangxi (Wuhu-Guixi) afterward, added a north-south transportation line to the East China region which not only shared part of the passenger and freight transportation on the Shanghai-Nanjing and Shanghai-Hangzhou lines but also played an important role in economic development in the Anhui and Jiangxi areas.

## VI. Northeast Region

The northeast region is the region with the highest density of railway network in our country. Since the founding of New China, besides building the Beijing-Tongliao [of Nei Monggol], the second route to places both north and south of Shanhaiguan, and the Tongliao-Ranhu railway and the Goubangzi-Haicheng line in the northeast region, the major construction projects have been forest and mining railroads. For annual timber output in our country to be maintained at approximately 50 million  $M^3$  is contingent on the large numbers of forest railroads built in Da and Xiao Hinggan Ling. The national economy in the northeast region has developed rapidly, with development being particularly fast in the iron and steel, machinery, petroleum, chemical industrial, nonferrous metal smelting and industrial departments. Compared with 1951, freight volume in 1983 increased five-fold, but the railways were still able to basically cope with the needs. This was a glaring contrast to the universal railway transportation strain in various major regions inside Shanhaiguan. The important reason is that the railways in the northeast region have basically been shaped into a network while the railways in other regions only have a few framework trunklines without diverging lines and connecting lines to form into a railway network, as a result, these regions lack the mobility in transportation and often become "bottleneck" areas when transport is busy along the line and remain passive when transport is strained. Therefore, building a railway network step by step in areas inside Shanhaiguan is the general trend of national economic development.

Distribution of Newly Added Railways Since  
the Founding of New China

Region	1949	1983		Region	1949	1983	
	Mileage (km)	Mileage (km)	National %		Mileage (km)	Mileage (km)	National %
National Total	21,810	51,604	100	Henan	1,215	1,973	3.8
Northwest Region	456	6,947	13.5	Hubei	342	1,597	3.1
Shaanxi	456	1,857	3.6	Hunan	911	2,300	4.5
Gansu	-	2,222	4.4	Guangdong	561	846	1.6
Ningxia	-	428	0.8	Guangxi	539	1,600	3.2
Xinjiang	-	1,347	2.6	E. China Region	3,635	7,465	14.5
Qinghai	-	1,098	2.1	Shanghai	34	245	0.5
Southwest Region	733	5,892	11.4	Jiangsu	774	713	1.4
Sichuan	68	2,876	5.6	Shandong	901	1,672	3.2
Guizhou	-	1,396	2.7	Anhui	712	1,543	3
Yunnan	665	1,620	3.1	Zhejiang	482	831	1.6
N. China Region	4,678	10,822	21	Jiangxi	732	1,433	2.8
Beijing	105	860	1.7	Fujian	-	1,028	2
Tianjin	-	398	0.8	Northeast Region	8,740	12,102	23.4
Hebei	1,839	2,590	5	Liaoning	2,416	3,533	6.8
Shanxi	1,000	2,177	4.2	Jilin	2,658	3,481	6.7
Nei Monggol	1,734	4,797	9.3	Heilongjiang	3,666	5,088	9.9
Central-South Region	3,568	8,376	16.2				

Note: The railway operating mileage in Jiangsu Province since the founding of New China has not changed, due to readjustment of the provincial boundaries, 61 km of railway mileage were excluded; Tianjin was originally under Hebei Province, railways existing in 1949 were not reclassified.

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CSO: 4006/649

TRANSPORTATION

URBAN TRAFFIC CONGESTION NOTED

Beijing LIAOWANG ZHOUKAN [OUTLOOK WEEKLY] in Chinese No 16, 22 Apr 85 p 7

[Article by Zhang Cailong [1728 2088 7893]: "Prominent Phenomena of Urban Traffic Congestion"]

[Text] Traffic congestion in some of the large and medium cities in the country has become very conspicuous at present. According to an analysis, the traffic contradictions are outstanding due to four reasons:

1. Slow urban road construction cannot cope with the needs of the situation arising from rapid economic development: Since liberation, while roads in Beijing Municipality proper increased merely 12.5-fold, the number of motor vehicles rose 65-fold and bicycles 31-fold. At present, the whole municipality has 260,000 motor vehicles and 4.88 million bicycles. Guangzhou City has nearly 90,000 motor vehicles and 1.44 million nonmotorized vehicles, averaging 25 motor vehicles and 3,700 nonmotorized vehicles per km.
2. The transport volume of public vehicles has increased with the rise of temporary residents and floating population in the cities: In Beijing and Shanghai, the temporary and floating population per day is about 70,000 to 80,000 people.
3. Appropriation of large numbers of urban roads: In recent years, the taking over of traffic roads in the cities by agricultural trade market and commercial outlets and for municipal construction work has been serious, thereby further aggravating the contradictions due to road shortage. In Tianjin Municipality, the roads permanently and temporarily taken over cover an area of 3.34 million m<sup>2</sup> which is equal to 37 percent of the total area of roads at present.
4. Sharp increase in vehicles entering or passing through cities: In Shanghai Municipality, the daily number averages over 5,000 and in Hangzhou City more than 8,000 adding new pressure on the urban traffic.

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TRANSPORTATION

DATONG-QINHUANGDAO RAILWAY UNDER CONSTRUCTION

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 1, 28 Jan 85  
pp 2-3, 39

[Article by Han Mei [1383 2734]: "Datong-Qinhuangdao Railway--China's First Modernized Line Primarily for Coal Transportation and Heavy-Load Trains"]

[Text] A new railway trunkline is under vigorous construction. It starts from Datong of Shanxi and directly reaches Qinhuangdao on the short of Bo Hai by traversing the northern part of Hebei Province, Beijing Municipality and Tianjin Municipality. This is the Datong-Qinhuangdao Railway, a new line with modern technical equipment and modern organized means of transport primarily for coal transportation and heavy-load train operation. It is the first of its kind in China. This railway with its importance in national economic development and its level of modernization has attracted people's serious attention.

I. Important Policy Decision for Solving the Energy and Communication Problem

Shanxi is the largest coal base in our country. Shanxi has been relying heavily on railway transportation to take its coal out of the province. In recent years, even routes for coal transportation and transportation capability have been newly enhanced as a result of renovation and expansion, but due to the increase in coal output and the volume to be transported out, the railway coal transportation capability is far from suitable. The state thus decided to build a special line to transport coal from Shanxi to the coastal regions as an important route to transport coal out of Shanxi and transfer coal to the western part of Nei Mongol and Ningxia and other areas. The construction of this railway has played an important role in increasing coal supply to the northeast, North China and South China and promoting the national economic development and foreign trade. Therefore, the State Council has attached great importance to it and looked upon it as a vital policy decision in solving the energy and communication construction question and listed it as the "most important" state construction project. It called for concentrated efforts to speed up construction so as to build the Datong-Qinhuangdao line into a modernized railway with great capability, high efficiency and with less money and lower cost.

In accordance with the demands for larger volume of coal to be transported, the Datong-Qinhuangdao line is designated as China's first specialized trunkline for coal transportation, besides operating a few passenger and cargo trains, it will primarily be used for heavy-load special coal trains from the starting point to the terminal point. In general, the train load is set at 6,000 tons, but for some it is set at 10,000 tons, such as for the so-called "10,000 ton" trains which exceed the norm in length as well as in weight and have to be hauled by multiple electric locomotives with annual transportation capability of 6,000 tons in the near future, to be replaced by those with an annual capability of 10,000 tons at a specified future date.

## II. The Line's Running Direction and Terrain Along the Way

The west end of the Datong-Qinhuangdao Railway links up with the Hanjialing Station on the North Tongpu Railway and intersects with the Beijing-Zhangjiakou Railway at Huailai via Shanxi Province's Datong and Yanggao and Hebei Province's Yangyuan and Xuanhua, it also intersects with the Beijing-Chengde Railway at Huairou after entering Yanqing and Changping of Beijing Municipality; after that it directly reaches Qinhuangdao by way of Pinggu through Jixian County of Tianjin Municipality and Zunhua, Qianan, Lulong and Funing of Hebei Province, totaling 637 km in length.

The Datong-Qinhuangdao line moving from west toward east is basically running parallel with the ancient Great Wall. After leaving Datong, the line crosses the Yu River and Fangcheng River moving eastward along the Sanggan River to enter into the Beijing hub by way of Shacheng after crossing the Dayang River. After that it runs along the northern slope of the Yanshan mountain ranges and closely by the Great Wall to reach Qinhuangdao. The entire line is divided into two sections: The west section runs between Datong and Huairou and the east section runs between Huairou and Qinhuangdao. The west section from Datong to Shixiali is in the Yanyuan basin of Datong with smoother terrain. The Sanggan River gorge is more rugged and rough, requiring larger earth and stone work for its roadbed. The section between Chaoyangsi and north of Xierdaohe lies in the Huailai basin and the medium and low mountainous areas surrounded by the Yanshan mountain ranges. The line is located on the northern edge of the basin, and except for some parts that are formed by alluvial gullies and ravines and covered with craggy rocks, the terrain is more open and wide. From the Xierdaohe moving eastward to Shayukou, the line traverses the watershed of Jundushan Mountain where a 8,485-km long tunnel will be cut. This tunnel is only next in size to the Dayaoshan tunnel in the southern section of the Beijing-Guangzhou line. The section between Shayukou and Chawu is a mountain-front alluvial slanting plain and the terrain there is more open and wide.

The eastern section is mostly mountainous with many rivers, high mountains and deep valleys and complicated terrains. The major rivers are the Chaobai, Luan and Qinglong rivers and there are also numerous reservoirs. The riverbeds have steep slopes, the flood peaks are high and the rate of flow is great during the rainy season and erosion is serious, requiring more flood control projects during railroad construction. Affected by ancient volcanic

activity, the geological structure of the eastern section is composed of interlocking faults in sliced net shape with crushed rocks providing little firmness. Most of the surface layer along the line is of a new loose covering and some sections require special treatment, thus making the project more difficult.

The Datong-Qinhuangdao line was designed as a double-track, grade one trunk line. To be constructed along the entire line are 35 stations, 73 large and medium bridges with a total extension of nearly 5 km, 135 large and small tunnels with a total extension of 25 km, the earth and stone work for the roadbeds totals nearly 100 million M<sup>3</sup>, the up slope is limited at 4 per-thousand and the down slope is set at 12 per-thousand. The minimum curve radius in general section is 800 M and 400 M in difficult sections. Steel rails 25 M long and 60 kg/M are to be used. The effective length from the station to the starting line is 1,050 M and the length of the train converging and diverging lines is 1,700 M. During the initial period, it is planned that the China-made Shanshan I-type electric locomotives will be used as hauling power. When the train's load measures 6,000 tons, two locomotives will be linked to do the hauling at the head of the train. When the train hauls 10,000 tons, three locomotives will be used with two linked up at the head of the train and one linked at approximately two-thirds of the way from the head between the middle and rear sections of the train to do the hauling jointly.

Construction of the entire line is divided into two phases. The western section, the first-phase project, covers 357 km. It will be built as a double-track electrified railway. It is planned that the project, started in the second half of 1984, will be completed by the end of 1987 and begin to transport coal in 1988; the eastern section totaling 280 km long will be the second-phase project. It will be built as a single-track electrified line during the initial period and bridges and tunnels and other projects will be built for double-track use. It is planned that the entire line will be completed around 1991.

### III. Modernized Technical Equipment

To build the Datong-Qinhuangdao Railway into a modernized special line for coal transportation, a series of advanced technical equipment, construction machinery and tools and key parts has been adopted. To bring about automatic command in operation, a dispatcher's centralized traffic control system with a micromanipulator will be used. This system performs the functions of tracing the trains and their operations and controlling the lines for incoming and outgoing trains at the station. It can also automatically provide operational diagrams, print out and compile statistics on the operation, centralize the monitoring of signal equipment and transmit information. It can markedly increase transport efficiency and effectively ensure safety in train operation. In the meantime, optical fiber and digital communications systems having the advantages of larger capacity and strong interference-resisting capability will also be used together with program controlled electronic exchanges of small volume in size, multiple functions, high communications quality and other advantages and

a radio train-dispatching system. With respect to electric power and electrification projects, the transformer substations and power distribution stations will use completely closed high-tension switch cabinets and box-type transformer substations. Other new technical equipment will be installed in long and major tunnels. With regard to rolling stock, to cope with the needs of operating heavy-load unit trains scaled-down model flatcars will be marshalled on a fixed basis to operate in cycles and new-type couplers, bumpers, brakes and synthetic brake shoes will be installed. Mechanized and automatic loading operations will also be put into effect.

In regard to line construction, the study of new technology has been decided in line with the trend of development of heavy-load railways at home and abroad. The main topics of study are "technical standards for heavy-load railway roadbed and road rolling techniques" (heavy-load roadbed for short) and "New Austrian Tunnel Construction Method" (N A T M for short), and "comprehensive techniques of mechanized stonework demolition in construction (stonework demolition for short).

The study of "heavy-load roadbed" is primarily to find out what effects heavy-load trains have on the roadbed and the impact of train density, speed and axle weight on the strength and deformation of the roadbed and to decide on the standards of roadbed designing and construction process.

The "New Austrian Method" is a comprehensive method involving numerous new processes and new technology for building tunnels under soft and weak surrounding rock formations. In adopting the new Austrian method in building long major tunnels along the Datong-Qinhuangdao line, it will involve the new processes of controlled demolition, anchor spraying [maopen 6931 0899] and concrete molding, the new technology of pumping waterproof concrete, the new material and new process of flood control and drainage and the method and means of negotiating layers in the soft and weak and crushed areas.

"Stonework demolition" is one of the important questions in modern construction including the new technology of deep-hold demolition and mechanized construction which is capable of raising demolition efficiency and the degree of safety. In general construction practice only 14 to 20 M<sup>3</sup> of stonework can be finished in one workday, by adopting this advanced demolition method, 20 to 30 M<sup>3</sup> of stonework and as much as 40 M<sup>3</sup> of stonework can be accomplished in a workday, saving construction cost in tens of million yuan.

All of the above-mentioned research and applications show that a new level has been reached in China's railway construction.

#### IV. Economic Characteristics of the Region Attracting Business

The region absorbing the activity of the Datong-Qinhuangdao Railway includes Shanxi and Hebei provinces and more than 10 counties and districts under Datong, Beijing, Tianjin and Qinhuangdao cities and various major coal

mining districts in northern Shanxi, the western part of Nei Mongol and Ningxia, almost covering North China.

Datong, which includes Yanbei Prefecture, is the largest coalfield in Shanxi. The coalfield covers an area of over 3,000 km<sup>2</sup> with very rich coal reserves and an extractable amount of more than 72 billion tons. The new mining districts now under construction have imported new coal extraction machinery from abroad. Coal output and coal transportation volume are expected to increase markedly shortly after the new and expanded shafts are put into operation.

The Datong-Qinhuangdao line connecting with the Datong hub in the west will link up with the North Tongpu line, the Datong-Baotou line and the Feng-Sha-Da [0023 3097 1129] Fengtai-Shahezhen-Datong] line, besides transporting coal from Datong area, it will also handle coal transportation from the Pingshuo coalfield on the North Tongpu line, the western part of Nei Mongol and Ningxia. The central part of the line links up various major trunklines across the country by way of Beijing, playing an important role in promoting the interflow of goods and materials and speeding up development along the line.

The eastern end of the Datong-Qinhuangdao line in Qinhuangdao, its terminal point. The line entering Qinhuangdao is a key project of this railway. Its construction must be coordinated with the existing railway and carried out synchronously with the third-phase construction of the coal wharf for the heavy-load unit unloading trains which requires the selection of the best designing plan and technical equipment in complete sets.

Reaching and passing through Qinhuangdao area are the Beijing-Shanhaiguan, Shenyang-Shanhaiguan and Tong-Tuo [6639 1001 Tongxian-Tongtuo?] lines and the Beijing-Qinhuangdao line now under construction. Here there is a network-type Shanhaiguan marshalling station, the Qindong industrial station serving the Beijing-Qinhuangdao line, over 200 km of various types of labor railroads and special lines and more than 10 stations forming a complex railway hub. The introduction of the Datong-Qinhuangdao line is designed in such a manner that it enters from the south side of Haiyang Township and runs parallel with the Beijing-Qinhuangdao line to reach Qinhuangdao North Station and then crosses the Beijing-Shanhaiguan line to get to the third-phase wharf south of the Longjiaying Station and Shahe. A terminal station will be set up there to facilitate the automatic unloading operations of the heavy-load trains with fixed car bottom and operating in cycles.

Qinhuangdao is a fine natural deepwater and ice-free port in our country and an important passageway for crude oil and coal to the sea. The original 5 wharves have 13 berths, out of which 3 are for coal with an annual handling capacity of 15 million tons. The newly built first-phase wharf has two berths with an annual handling capacity of 10 million tons which are now in use. The second-phase wharf has two berths with annual handling of 20 million tons. The first-phase and second-phase wharves were built in coordination with the construction of the Beijing-Qinhuangdao line. Coordinating with the third-phase wharf on the Datong-Qinhuangdao line, the designed coal-unloading capacity is expected to reach 30 million tons and it is planned that it will be completely synchronous with the first-phase construction of the Datong-Qinhuangdao line.

TRANSPORTATION

HEILONGJIANG: LI LIAN INSPECTS WORKSITE OF SONGHUA JIANG BRIDGE

SK240829 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 23 May 85

[Text] On 23 May, Li Lian, secretary of the provincial CPC committee, and (Chen Yuanlin), deputy secretary of the provincial CPC committee, went to the construction site of the Songhuan Jiang Highway Bridge to visit workers and inspect the development of the project.

At 1000 on 23 May, braving a force 7 wind, Li Lian and other leading comrades inspected the worksite of the project, and inquired about the security, quality and progress rate of the project as well as the living conditions of the bridge builders and workers.

After hearing the reports of (Wang Fu), deputy commander general for the construction of the bridge, and (Jia Yonghui), a member of the headquarters of the project, concerning the whole workers' determination to building a quality bridge, leading comrades of the provincial CPC committee happily said: You should have far insights, strive to win reputation domestically and internationally, and rapidly master the advanced foreign bridge-building technology. After hearing that 69 percent of the total bridge builders were intellectuals, of whom, 59 percent were middle-class technicians, Comrade Li Lian said: The key to carrying out reform and the four modernizations lies on competent people. We hope that in the course of building the bridge well, more and better competent persons will be fostered. Leading comrades of the provincial CPC committee also praised the practice of employing a large number of temporary and contract workers in building the bridge.

CSO: 4006/653

5 July 1985

HONG KONG MEDIA ON CHINA

PEOPLE'S BANK OF CHINA TO IMPROVE SERVICE AT SHENSHEN BRANCH

HK190345 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 19 Jun 85 p 3

[Article by Suzanne Sim]

[Text] Stiff competition from foreign banks is forcing the People's Bank of China to improve the services of its Shenzhen branch.

The branch's services have been criticized by businessmen who find them inadequate.

The general manager of the bank, Mr Luo Xianrong, said the bank intends to improve services and maintain better communications with other Chinese banks through better management.

The bank also plans to build a new headquarters in Shenzhen to house its branch there and invest more than USD7 million to install a computer network.

To be named the People's Bank Building, the headquarters will be located on an 8,000 sq m site and will be about seven times bigger than its current premises.

The project is still under discussion, Mr Luo said.

He said the computer system will link up with the Bank of China, Construction Bank, Agricultural Bank and the Commercial and Industrial Bank.

The bank is negotiating with four computer companies to install the system. Mr Luo would not name them.

But he said that if talks proceed on schedule the system should be installed within eight to 10 months of the signing of the agreement.

The People's Bank, which acts as the country's central bank, is burdened with a workload which is likely to increase when it begins monitoring foreign banks that are allowed to do business in the zone.

Turning to foreign bank activities in the zone, Mr Luo said more than 20 banks have applied to be upgraded from representative offices to full branches.

China recently announced that it would allow foreign banks to upgrade their offices into full banking branches in the special economic zones in a bid to cope with the burgeoning trade between China and foreign countries.

The bank is assessing the applications.

Mr Luo also said the Bank of East Asia and the Hang Seng Bank were granted representative office licenses recently.

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15 July 85